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NEWS SUMMARY

GENERAL

Holiday flights held up again

Holidaymakers flying from British airports faced more delays yesterday as French and Spanish air traffic controllers continued their work-to-rule.

At some northern airports, passengers bound for Spain had to wait for up to eight hours for a flight yesterday. At Heathrow, continental flights were being delayed by up to four hours.

Delays were generally shorter than last week, because French controllers allowed more flights through and the Department of Trade lifted its restrictions on night flying.

Fishing talks

Britain's fishing conservation moves, particularly its herring fishing ban, are likely to be criticised at today's meeting in Brussels of Common Market farm and fisheries Ministers.

Team withdrawn

A British Armed Forces team, due to compete in next month's world helicopter championships in the Soviet Union, has been withdrawn on the advice of Foreign Secretary Dr. David Owen, who thinks participation "inappropriate" after recent Soviet dissidents' trials.

Belief 'lost'

Dr. Donald Coggan, Archbishop of Canterbury, told 400 bishops attending an international conference in Lambeth that some of them had virtually "given up believing" that God spoke to the Church.

Cycling win

Frenchman Bernard Hinault, 23, riding in the race for the first time, won the Tour de France cycling marathon. T.I. Raleigh won the team points prize. Feature, Page 10

Sun dispute

The Sun newspaper was not published today. The management said that journalists were taking unofficial action in support of a pay claim which breached the Government's guidelines. Times disputes, Page 4

Guards killed

Three guards were killed in a 'iot by 400 prisoners at an llinois jail and a fourth critically injured. Soaring temperatures and overcrowding were said to have provoked the riot. n Montreal, two prisoners surrendered four hostages seized hree days ago.

Guerrilla link

ladrid investigators are considering a possible link between Spain's most active guerrilla roups—the Basque separatist roup ETA and the anti-fascist roup GRAPO—after the murder n Friday of an army general nd his aide in the city.

Egyptians quit

he 240-strong Egyptian team at ie third African games in lgiers left for home last night fter a brawl with the Libyan occer team. The Libyans were xpelled from the soccer tournament by the African Football onfederation after the incident.

Briefly . . .

ome overnight trains and sleep-g car services from Euston ere cancelled last night because industrial action by Warring-n signalmen.

n bombs exploded in Athens st night, the fourth anniversary restored democratic rule in reece. No one was hurt.

eekly £50,000 Premium Bond ize was won by bond number W 272410. The winner lives Buckinghamshire.

BUSINESS

BL Cars plans 7,000 jobs cut

● BL CARS is expected to open talks with unions within the next few weeks on plans to shed about 7,000 jobs by the end of the year. It hopes to achieve this by natural wastage and voluntary redundancy.

The blow will be softened by a recruitment programme, now gaining momentum, to attract about 2,000 men to meet the company's shortfall of skilled labour.

BL, formerly British Leyland, is to lease an office block in Hammersmith, West London, as its new corporate headquarters. Back Page

● LATEST CONSUMER confidence survey shows people feeling less confident about the future than six months ago, in spite of better news about prices. Page 29

● GOVERNMENT is expected to publish this week its detailed proposals for new legislation on supervision of the banking system.

For the first time in Britain, the new law will set up a system of licensing for all deposit-taking institutions. Back Page

● PROGRESS in establishing new EEC rules for regulating banks is expected to speed up shortly, with the creation of a new advisory committee of supervisory authorities. Page 3

● CBI launched an initiative aimed at increasing the number of MPs with direct experience of working in industry. The Confederation also endorsed calls from a wide range of pressure groups for fundamental changes to the European Common Agricultural Policy. Back Page and Page 3

Sugar pay pact details sought

● BRITISH SUGAR Corporation is being asked by the Government for details of a pay settlement which provides 5,500 employees with 9.5 per cent increases after the 5 per cent guidelines of Phase Four come into force. Back Page

● CONSTRUCTION companies operating in Nigeria, Britain's ninth biggest export market, may be hit by a 2½ per cent levy on their turnover. Back Page

● TIMES NEWSPAPERS management, which has said that it will suspend all publication from November 30 unless it achieves improvements in industrial relations, this week will send proposals for a new disputes procedure to print union leaders. Page 4

● NATIONAL SAVINGS provisional figures show that £43m was withdrawn in the five weeks to July 7. Still bigger withdrawals took place in the second week of this month, and will show up in the next set of figures. Page 3

● RECOVERABLE oil reserves in the Hamilton group's North Sea Argyll Field are expected to be uprated substantially as a result of the latest development well. Page 3

● SECOND STAGE of the Stock Exchange's evidence to the Wilson Committee is to be published at the end of this week. Back Page

● CIBA-Geigy first-half sales fell 12 per cent. Shareholders should reckon with a lower level of sales and profits this year, compared with last, directors said. Page 27

Government wants bigger share of sea oil profit

BY RAY DAFTER, ENERGY CORRESPONDENT

THE GOVERNMENT is proposing to make North Sea operating conditions tougher for oil companies. Plans being formulated in the Department of Energy and the Treasury include a substantial increase in taxation and a greater involvement in future licences by State-owned British National Oil Corporation.

Details of planned changes in the petroleum revenue tax and the final conditions for the next round of offshore licences are expected to be announced as a combined package before Parliament rises for the summer recess early next month by two Cabinet Ministers, Mr. Joel Barnett, Chief Secretary to the Treasury, and Mr. Anthony Wedgwood Benn, Energy Secretary.

In a bid to siphon off more of the big profits being made by some North Sea operators, the Treasury is planning to amend the oil taxation Act. It is thought that it wants to raise the basic rate of petroleum revenue—45 per cent levied on specially defined profits—to nearer 60 per cent. At the same time, changes would be made to the conditions of the tax which at present can be used to delay payment.

But, there seems little chance of the Government's making any changes before an autumn election. It would either need Parliamentary approval for an amendment to the oil taxation Act or a special clause in a finance Act.

It is known that Lord Kearton, chairman and chief executive of the oil corporation and one of Mr. Benn's closest advisers, is unhappy about the effect of the tax allowances, in particular the concession which enables companies to write off 175 per cent of investment before paying the tax.

This 75 per cent "uplift" was designed to help companies meet interest charges on loans needed to pay for capital equipment. However, Lord Kearton commented after one recent corporation Board meeting that the concession also acted as a benefit to the inefficient.

The Government concedes that tax and royalty payments will become significant only when capital and other allowances have been taken into account. Consequently, although North Sea oil and gas strengthened the overall balance of payments by £2.5bn last year, receipts from tax and royalties were just £228m.

Refusal

According to the Energy Department, Government revenues should approach £4bn a year by the mid-1980s.

Any changes in the taxation system almost certainly will be strongly contested by the oil companies which say that when the allowances have worked through, the total tax level—including corporation tax—will be about 70 per cent.

The Treasury and Energy Department have been concerned about the high profit levels being earned by companies in such fields as Forties, Piper, Beryl, Claymore, Auk and Argyll. However, they are also trying to arrive at a formula which will continue to benefit the small or marginally profitable discoveries.

Even so, companies will be concerned that tougher taxation will make future exploration and production less attractive in the North Sea where there is a feeling that the best fields and the majority of reserves have been identified.

This was an argument put forward by the UK Offshore Operators' Association in its recent consultations with the Energy Department over conditions for more than 40 blocks to be offered shortly under the sixth round of licences. It seems that the department has refused to concede any basic change in its draft conditions.

Thus companies will be asked to offer the oil corporation a greater stake than the basic 51 per cent State participation in the previous fifth round blocks.

They will also be invited to "bid" the amount of oil corporation exploration costs they are prepared to meet. This novel type of auction could result in the State corporation's expenses being carried by the industry to a substantial extent.

Argyll reserves, Page 3
Continued on Back Page

Retain currency guideline says Healey

By Peter Riddell, Economics Correspondent

MR. DENIS HEALEY, the Chancellor, will try today to persuade his fellow-Common Market Finance Ministers to continue to base their further work on currency stabilisation on the guidelines they agreed a month ago.

These outline conditions are preferred by the British as a starting point for discussion to the specific and controversial Franco-German plans unexpectedly tabled at the Bremen summit of EEC Heads of Government a fortnight ago.

The French Government is known to be determined to press ahead as rapidly as possible with its particular scheme, which it will want to keep to the fore in detailed studies.

The British see today's meeting in Brussels as relatively low-key, though they believe it important that precise guidelines be laid down for the parallel work of the monetary committee of officials.

Mr. Healey, in common with the Prime Minister, supports the general goal of currency stabilisation, but has reservations about the particular Franco-German scheme.

Consequently, he believes that future discussions should be based on the broad criteria agreed by the Finance Ministers in Luxembourg in June, against which the Franco-German plan can be compared and tested.

Symmetry

The points agreed in Luxembourg were that any currency stabilisation scheme should ensure symmetry of adjustment between countries with current account surpluses and deficits; that it should permit adjustment of parities to reflect fundamental divergences of inflation rates; and that there should be adequate supporting credit facilities.

The UK pressed for an increased transfer of real resources within the EEC. It has now become clear that Britain's main concern will be to improve the existing machinery of transfers within the Community, notably the Common Agricultural Policy and the regional fund, rather than try to devise new schemes.

It is expected that today's discussions will not be on a detailed level but will concern important procedural matters.

Begin rejects Sadat call to withdraw

BY DAVID LENNON TEL AVIV, July 23.


MENAHEM BEGIN
"One-sided step unthinkable"

ISRAEL today rejected President Sadat's request for the return to Egypt of two areas in Sinai as a unilateral gesture of goodwill, thus weakening the prospects for a successful new round of direct talks which the Americans had hoped to get started within two weeks.

"No one can get something for nothing," said Mr. Menahem Begin, the Prime Minister, in a statement after a six-hour Cabinet meeting. "A one-sided step is unthinkable." However, Israel was ready for talks about both countries' proposals.

The latest Israeli move is bound to cast a shadow over hopes for progress in the Middle East peace negotiations, revived by recent meetings between Egyptian and Israeli leaders.

Mr. Begin said that the Government had accepted the suggestion by Mr. Cyrus Vance, U.S. Secretary of State, that Israel and Egypt should send their Foreign and Defence Ministers to a meeting at an American early warning station in the Sinai buffer zone. Today's Cabinet decision, however, is hardly likely to make such a meeting a success.

Sinai deal

President Sadat has said that his agreement would be dependent on some new Israeli ideas, but none has so far emerged.

Mr. Alfred Atherton, the U.S. roving ambassador, is in the region to prepare the ground for the planned talks. He is due in Israel later this week, after visiting Saudi Arabia and Jordan.

The tough Israeli position will clearly make it more difficult for him to create the constructive atmosphere needed for such a meeting.

The Cabinet today heard a report by Mr. Moshe Dayan, the Foreign Minister, about his meeting with Mr. Ibrahim Kamel, the Egyptian Foreign Minister, at Leeds Castle last week under the chairmanship of Mr. Vance.

On his return, Mr. Dayan said that he would recommend Israel to amend its peace plans as there could be no progress unless both sides changed their position in the negotiations. Yet Mr. Begin claimed the Foreign Minister had made no such suggestion to the Cabinet.

The Egyptian request for the return of Mount Sinai and the northern Sinai town of El Arish was made by President Sadat when he met Mr. Ezer Weizman, the Defence Minister, in Salzburg 10 days ago.

It was suggested at the Cabinet that Israel might consider handing over parts of Sinai in return for Egyptian agreement to Israel keeping its settlements planted in the peninsula. But it was decided that such exchanges could be arranged only in direct meetings.

The Cabinet decision was not unanimous. Professor Yigael Yadin, Deputy Prime Minister, is believed to have been among those in favour of granting President Sadat's request.

The unusual length of the meeting, and the fact that it required a vote to reach a decision, are clear indications of dissent within the Government.

However, President Sadat's description of the Israeli Premier as an obstacle to peace almost certainly contributed to Mr. Begin's refusal to contemplate any goodwill gestures.

In Washington, Mr. Cyrus Vance, U.S. Secretary of State said that Israel must accept the principle of withdrawal from the occupied West Bank as a pre-condition for resuming peace negotiations with Egypt.

He added that the meetings he headed in Britain last week between the Egyptian and Israeli Foreign Ministers had not narrowed fundamental differences.

Bitter attack

Roger Matthews adds from Cairo: Mr. Sadat yesterday launched his most bitter ever personal attack on Mr. Begin. He said peace could be achieved in a matter of hours if it was not for the "expansionist ambitions" of Mr. Begin. "It is possible to establish peace in hours. The only obstacle is Israeli Prime Minister Begin, who thinks he can have peace and above that, land. We tell him 'no,'" said Mr. Sadat.

"Peace, yes; guarantees for both parties, yes; friendly coexistence, yes; recognition, yes; but land, no; sovereignty, no, no, and a thousand times, no."

Mr. Sadat went on to stress that he was not rejecting Israel's peace proposals because of personal antagonism for Mr. Begin. Although Egypt rejected a separate settlement with Israel, it remained responsive to any new ideas.

Callaghan faces test on economic policies

BY PHILIP RAWSTORNE

THE GOVERNMENT faces a severe political test in the Commons this week of the central economic policies on which its General Election campaign largely will be fought.

The series of conflicts over the phase four pay policy, dividend control and unemployment is regarded as a crucial dress rehearsal for an autumn poll.

Two defeats for the Government are almost certain—on the dividend control Bill and, tonight, on an order which would extend job protection to dockers in the smaller ports.

The Prime Minister is expected to lead the Government's vigorous defence of its counter-inflation proposals in the debate tomorrow on the pay White Paper.

A Government motion, outlining the anti-inflation policy achievements of the past four years, calls for a further sustained national effort.

Mr. David Steel, Liberal leader, confirmed yesterday that his MPs would back the Government's 5 per cent policy. "We accept the need for severe wage restraint although we don't like the methods being used by the Government."

The Lib-Lab pact will ensure a Commons majority for the Government's general policy.

But, Mr. Steel re-emphasised that, in the absence of statutory controls on pay, Liberal MPs would oppose dividend control legislation which the Government hopes to get through the Commons in one day on Thursday.

Legal restraints on dividends would be unfair and would hit pension funds in particular, he said. "Most companies would accept voluntary guidelines on dividends as on pay."

Without Liberal support, the Government's chances of enacting the Bill appear remote. The outcome now rests on the votes of the Scottish Nationalists, who are divided on the issue, and on the Ulster Unionists.

Labour's strength may be further sapped by sickness—four Ministers were in hospital or convalescing last week.

The Conservative whips have refused pairing arrangements. As a result, the Government has recalled Mrs. Shirley Williams, Education Secretary, from a visit to China shortly after her arrival at the weekend.

Ministers view the prospect of defeat on the Bill with some equanimity.

The Cabinet has decided that in such an event control will be exercised through the placing of Government contracts and aid.

At the same time, Ministers believe that opposition by the Conservatives, Liberals and others to such an important feature of successive pay policies will bring the Government some political bonus.

The Opposition's moves would be cast as an attempt to sabotage the Government's counter-inflation policy in general.

Any excessive dividend payments—as well as any high wage claims which they could be shown to have encouraged—would be laid at the Conservative door.

The Conservative shadow Cabinet meets tomorrow to decide tactics for countering this political threat and to lay down the main lines of its alternative approach.

Mrs. Margaret Thatcher and Sir Geoffrey Howe, economics spokesman, recognise that they must spell out in greater clarity the attitudes that an incoming Tory government would adopt.

Federal system proposal, Page 3

Benn calls a meeting

AS MR. CALLAGHAN and his senior Ministers prepare for this pre-election struggle in the Commons, the Labour Party's Left-wing will seek to establish a stronger base from which to influence the party's election manifesto.

Mr. Anthony Wedgwood Benn, Energy Secretary, has called a special meeting on Thursday of the national executive's home policy committee to consider the results of the joint working parties on election policies set up by the Cabinet and the executive.

The committee's conclusions will be set out in a paper and be pressed on the Prime Minister as guidelines for the drafting of the manifesto.

Norsk, DSM bid for Conoco's chemical interests in UK

BY KEVIN DONE, CHEMICALS CORRESPONDENT

TWO BIG West European chemical companies have emerged as the front-runners in the bid to buy Continental Oil's chemical interests in the UK.

Norsk Hydro and DSM, the Dutch state-owned chemicals group, are both understood to be seeking to take over Conoco's share in Vinatex and Staveley Chemicals.

The U.S. oil company has been negotiating with potential buyers for more than two months and a decision is expected in the near future.

Vinatex is half owned by Conoco and half by Staveley Chemicals.

Conoco also has a 10 per cent share in Staveley Chemicals, which is jointly owned with the National Coal Board (45 per cent) and the British Steel Corporation (45 per cent).

The attraction of such an acquisition for both Norsk Hydro and DSM is the prospect of building up their share of the British PVC (polyvinyl chloride) market.

PVC is one of the most widely used plastics in Western Europe. It is manufactured from VCM (vinyl chloride monomer), an intermediate chemical for which both Norsk Hydro and DSM have been building new plants.

The half stake in Vinatex would offer the two companies a captive market for part of their VCM capacity.

Capacity

Norsk Hydro, for instance, has recently completed a 300,000 tonnes a year VCM plant at its new petrochemicals complex at Bamble. But its plans to build a PVC plant in Denmark have been thwarted by environmental opposition, and it is thought to be keen to secure new outlets for its VCM.

Vinatex has a PVC capacity of only 60,000 tonnes a year, but the company received planning permission this year to double the size of the plant.

Existing UK producers of VCM and PVC are understood to be unhappy at the thought of added competition from strong Continental rivals at a time of serious overcapacity and weak prices.

Exploratory talks have been held by Conoco with both Imperial Chemical Industries and BP Chemicals, the dominant domestic producers.

ICI has a special interest in the future of Vinatex. It is the existing supplier of VCM to the company and is building a further 150,000 tonnes-a-year VCM plant at Teesside. But it is known to be concerned at the market prospects for this new plant.

The boards of both Vinatex and Staveley Chemicals are due to meet this week, and senior officials of Conoco's chemicals division are expected in the UK.

Whichever buyer Conoco chooses, the decision will be vetted closely by the National Coal Board and the British Steel Corporation, which have the opportunity to make a pre-emptive bid.

The Coal Board is keen to maintain its foothold in the petrochemicals industry and is seeking a partner committed to the expansion of Vinatex.

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FEATURES

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OVERSEAS NEWS

Syrian guns pound Christian Beirut

BY IHSAN HIJAZI

BEIRUT, July 23.

The security situation took a turn for the worse as fighting raged today in Lebanon between Syrian troops and Christian militiamen in the hills overlooking the capital.

The echo of explosions could also be heard in various parts of Beirut as rocket launchers and mortar guns were used by the Syrians serving with the Arab League Peace-keeping force.

The Christian town of Al Hadass was the scene of the new clashes, which broke a 12-day period of quiet.

The militia of the National Liberal Party of former president Camille Chamoun is the dominant political force in Hadass.

Tension had been mounting there after the reported murder of two Syrian soldiers. Another soldier was wounded when a supply lorry he was driving was fired on by the militias, a communique by the command of the peace force said.

Christian leaders have urged President Elias Sarkis to replace the Syrians in the capital by units of the Lebanese army.

Observers noted the intensity of shelling last night showed the Syrians have not been deterred by Israel's recent threat to come to the help of the Christians.

Sadat to form new party

BY ROGER MATTHEWS

CAIRO, July 23.

EGYPT'S FORMAL political structure is to undergo another major change, the main effect of which will be to concentrate more power and responsibility in the hands of President Anwar Sadat. During a speech yesterday to mark the 26th anniversary of the 1952 Revolution, Mr. Sadat announced that he would be forming his own political party and would be relaxing the regulations for the formation of other new parties in order "to enrich and strengthen democratic life" within the country.

It is expected that the post of Prime Minister will be abolished and that fresh elections to the 360-members People's Assembly will be held in the autumn. Mr. Sadat as President and the certain majority leader of the new Parliament will then take responsibility for the day-to-day running of the nation.

The President's decision is his response to the bitter political wrangling earlier this year since when he has attempted to curb some of his more outspoken critics. Both left and right-wing parties had been accused by Mr. Sadat of launching campaigns against the Prime Minister, Mr. Mamdouh Salem, and the Cabinet with the aim of creating conditions under which they could seize power.

Mr. Sadat's political opponents had in turn accused him of trying to stifle democracy and impose a personal dictatorship. The right-wing New Wafd dissolved itself in protest at the President's actions while the left-wing Unionist Progressive Party has frozen its activities. This leaves only the tiny Centre-Right Liberal Socialist Party and the majority Arab Socialist Party which was meeting to-day under the Prime Minister to discuss its future. Virtually all the Arab Socialist Party's members can be expected to join Mr. Sadat's new party, although it is not yet certain whether the party as such will be disbanded.

Mr. Sadat also announced yesterday that the number of People's Assembly members needed to form a new political party would be reduced from its present figure of 20. This should pave the way for the establishment of at least two more parties that Mr. Sadat would like to see formed. They will probably be a "nationalist" party, and a new "left-wing" party that will effectively replace the Unionist Progressive Party.

The Central Committee of the Arab Socialist Union, that under President Gamal Abdul Nasser and until 1976 was the only political organisation permitted, will be dissolved, but will be reconstituted as a supervisory body to meet once a year on the anniversary of the 1952 Revolution.

Throughout his speech Mr. Sadat reiterated three points: that he would fight for democracy and would deal with anyone who threatened the security of the people; that there would be no return to the one-party system, and that a Code of Ethics would have to be drawn up in order to safeguard the principles of democracy.

The Code of Ethics is likely to emerge from the "National Debate" which Mr. Sadat launched after his 98.29 per cent victory in the May referendum. The referendum was called specifically to give him the extra authority he considered necessary before dealing with his critics.

U.S. interest rates 'danger'

By David Buchan

WASHINGTON, July 23.

MANAGEMENT of the U.S. economy is "at the danger point where any substantial further tightening of interest rates would seriously affect the general level of business activity," and sectors like housing, Mr. Michael Blumenthal, Treasury Secretary, said today.

But Mr. Blumenthal, in a television interview, said he thought the Federal Reserve Board was well aware of the danger. Up to the end of last week the Federal Reserve, concerned that overrapid increases in the money supply would fuel inflation, was still acting to raise interest rates.

The Treasury Secretary saw no evidence that what has been the longest sustained U.S. business recovery since the Second World War would end in recession.

Trends in company inventories and housing and car sales, he said, did not point that way. Figures released last week show that the U.S. economy grew at an annual rate of 7.4 per cent in the second quarter of 1978.

Constituting mainly a rebound from a very bad first quarter of the year, that was slightly disappointing to the Administration which hoped for even better figures. But Mr. Blumenthal still thought that annual growth of 4 per cent or slightly less could be achieved for the foreseeable future.

He conceded that inflation, at over 10 per cent annual rate between April and June, was worrying. But he ruled out compulsory wage and price controls.

Caution on oil find by Texaco

By David Lascelles

NEW YORK, July 23.

THE UNITED STATES' newest offshore exploration area, the Baltimore Canyon off the coast of New Jersey has shown traces of oil or natural gas, according to an announcement from Texaco.

But with two dry holes already logged in the area since drilling began in March, the company is anxious not to raise false hopes.

Denying that it had made a major oil strike on Block 593, the company said a speedy announcement would be made after tests to determine whether hydrocarbons existed in commercial quantities.

Portuguese coalition split over health and farming

BY OUR OWN CORRESPONDENT

LISBON, July 23.

SIX MONTHS after taking power, the ruling Socialist-Conservative alliance, split by a row over farming and health policies, is showing signs of possible collapse.

Although both the Socialist Prime Minister, Sr. Mario Soares and the Conservative leader, Sr. Diogo Freitas do Amaral are playing down the crisis, hopes are fading of saving the alliance in its present form.

Both the conservative Christian Democrats (CDS) and the Socialists are discussing the problem with their national party executives and are expected to make announcements soon. Both leaders have had extensive consultations with the President, General Antonio Ramalho Eanes.

Press commentary today was gloomily predicting the exodus of CDS Ministers from the alliance and the collapse of the Government.

But the picture is not as simple as that. Even if the CDS, junior partners in the administration, pull out, there are several options. Sr. Soares could continue in office with independent Left-wingers filling the vacant post, until Parliament reopens in the autumn; he could offer his resignation, he asked to form a new Government with the CDS and in the process drop the controversial Agriculture and Health Ministers or there could be early general elections.

The last alternative is the one least favoured because of the six to eight months time lag before voting could take place, and the severe economic damage which could result.

The CDS, fearing the rising conservatism of the newly rejuvenated Social Democrats (PSD) has chosen to make a stand on the controversial land reform question.

The CDS had demanded the sacking of the Agricultural Minister, Dr. Luis Saias because it claims he is not returning illegally occupied land to its rightful owners. The party also objects to a proposed national health scheme.

Meanwhile, ex-Admiral Americo Thomaz, aged 83, the Portuguese President overthrown by the 1974 coup, returned from exile in Brazil today. A relative said he would rest with his family outside Lisbon.

OAU defers the issues

BY JOHN WORRALL

KHARTOUM, July 23.

CRUCIAL ISSUES dividing Africa have been shelved, passed to committees, or covered by compromise resolutions by the summit meeting of the Organisation of African Unity which ended on Saturday after a 14-hour session.

Africa is now more than ever divided publicly into "moderates" and "progressives," and the moderates were seen to have the edge. As Zaire's Foreign Minister said: "The silent majority is now speaking loud and clear."

The final resolution condemning foreign intervention, for instance, reaffirmed the right of any country to adopt any means and to call on any State to protect its territorial integrity. Another compromise condemned attempts by non-African powers to create instability in Africa, which could be taken to refer to either the Cubans or the French.

Perhaps the biggest battle was between Algeria, which is backing the Polisario guerrillas' claim to the Western Sahara, and Morocco and Mauritania over Algeria's resolution calling on all Africa to recognise the Sahara People's Republic. It was decided to form a five-man committee, under President Jaafar Nimairi of Sudan, the OAU chairman which will report back in a year.

A conciliation committee looking at Sudan-Ethiopian relations, was told to continue its work.

Hopes that conflicts in the Horn of Africa would be tackled strenuously were disappointed. A resolution by Guinea proposing a ceasefire in the Somali-Ethiopia conflict, a withdrawal by both sides to three miles inside each border, and the creation of a mediation committee, was accepted by President Siad Barre of Somalia, but was rejected by Ethiopia on the ground that guerrillas backed by Somalia were fighting miles beyond the border.

The only issues on which the OAU could agree wholeheartedly were backing liberation movements in Zimbabwe and Namibia and tightening embargoes on South Africa. More aid to the guerrillas was approved and there is to be another attempt to mount an oil embargo against South Africa.

Mr. Edem Kodjo, Togo's Foreign Minister, was elected OAU secretary-general in succession to Mr. William Eteki of Cameroon.

Ethiopian army thrust in Eritrea

By Dan Connell, in Eritrea

ETHIOPIAN forces have broken through Eritrean Liberation Front (ELF) lines in Eritrea's heavily populated central highlands and are driving deep into guerrilla held territory.

The large mechanised Ethiopian force yesterday captured the ELF-held town of Adi Quala and now threatens the ELF-held city of Mendefera 60 kilometers inside the strategic Red Sea territory, according to reports reaching the Sudanese capital.

Ethiopian units are also reported to be thrusting into South-western Eritrea on two fronts from government bases in Ethiopia's Tigre and Gondar provinces after over-running ELF positions along the border last week.

ELF resistance appears to be crumbling throughout the areas under their control as every major city in their hands is now under immediate threat by the advancing Ethiopian forces.

A spokesman for the Eritrean People's Liberation Front (EPLF), the larger of the two Eritrean independence movements, says that all is quiet now in EPLF-controlled areas after a series of major assaults by the Ethiopians which he says were defeated by the EPLF.

Sixth week

Now in the sixth week of the largest military offensive launched in the 17-year Eritrean war, the Soviet and Cuban-backed Ethiopian Government appears to be concentrating its efforts on winning back the central and south-western areas of Eritrea from the ELF.

Government victories in ELF areas will soon threaten the more successful EPLF with further attacks against their formerly secure rear areas.

The EPLF occupies the northern Eritrean lowlands, most of the central highlands including the Red Sea coast and the south-eastern regions of the 100,000 square kilometre former Italian colony.

The EPLF spokesman claims that Ethiopia has now committed close to 200,000 troops to the present offensive from bases along Eritrea's southern border and from government-held garrisons inside Eritrea.

A lengthy period of intense battle will have a profound political impact on the parties involved which may well prove the determining factor in the eventual outcome of the war.

More than mere territory is at issue. Both sides have staked their political existence on their ability to bring about a military victory. Time, as always, favours the insurgents, and already there are signs that the ability of Ethiopia's ruling military Dergue to prosecute the offensive is being threatened by political infighting over the direction of the protracted war.

Diplomatic sources based on the Addis Ababa capital say that Dergue chairman Mengistu Haile Mariam is fighting an intense rearguard action against Soviet-backed efforts to oust him.

Inside Eritrea the effects of the current fighting are also engendering important shifts in the leadership of the divided independence movement.

For Mengistu the Eritrea campaign is a race against time. Facing a deepening economic crisis and continuing political instability, the fiery nationalist needs a quick victory in Eritrea to assuage his critics and consolidate his own shaky power base.

With both agricultural and industrial production reported steadily declining in Ethiopia, some experts are now predicting a famine there which could reach the dimensions of the 1973-74 drought that helped bring about the downfall of the late Emperor Haile Selassie.

The disruption of commerce between rural and urban areas is also causing a transfer of hunger to the cities—with an attendant rise in political instability there.

Demanding pay

There are also reports that soldiers of the peasant militia—now estimated at between 150,000 and 200,000 men—are demanding full military wages. It is claimed here that deserting militiamen say they have been receiving only the equivalent of $10 per month, often two or three months late.

Workers and civil servants are also reported to be demanding wage and salary increases to keep pace with war-time inflation.

Diplomats say the Soviet Union has lost confidence in Mengistu's leadership and wants to see him replaced by a civilian government under the now suppressed Meeson party in the short term. Soviet support is apparently being thrown behind Lieut. Legese Asfaw, head of the Dergue's political committee and the second ranking member of the current government, according to these sources.

The struggle for power, according to this view, will focus on the question of who will lead an official Ethiopian political party and who will head the government after September when the formation of such a party and the declaration of a Democratic Republic of Ethiopia are scheduled to be announced.

China-Vietnam talks

HONG KONG, July 23.

Vietnam has agreed to open talks with China on the exodus of Chinese refugees across the Vietnamese border, Hanoi radio reported today. The Vietnamese Government has suggested that negotiations could start in Hanoi on August 8.

The Vietnamese response comes four days after China proposed talks in either Peking or Hanoi.

Reuter

Greece plans transport reforms

BY OUR OWN CORRESPONDENT

ATHENS, July 23

THE GREEK GOVERNMENT intends to draw up an ambitious ten-year programme dealing with seven major transportation projects crucial to the future development of the Athens area.

The decision was taken after three lengthy meetings held this month under the chairmanship of the Prime Minister, Mr. Constantine Karamanlis.

The projects concern the new Athens international airport at Spata, modernisation of the present Athens airport at Hellenikon, plus improvements in Olympic Airways and the Greek railways. The projects also include the construction of the Athens underground railway and schemes to solve the traffic problem in the greater Athens area.

Mr. Karamanlis has asked the Ministers concerned to prepare within the next three months a 10-year programme which will tackle these major projects. The programme is to be discussed at a new meeting towards the end of October.

According to early plans, the new Athens international airport in Spata, 23 km east of the Greek capital, will cost an estimated $500m, of which some $11m will go towards preliminary studies for the project. The funds for the whole project are expected to come from the sale of the land on which the present airport of Hellenikon is located, some 10 km from the centre of the city.

The present airport will be modernised to meet the needs of air traffic until the year 1986 when the Spata airport is expected to be ready. The Spata airport will have two parallel runways of 4,000 metres which will be 1,575 metres apart with an option for a third runway. In 1990 it is expected to employ 20,000 people and serve 16m passengers. According to the plans, the projected Athens underground system will carry passengers to the new airport from the centre of Athens in 15 minutes.

The underground itself will have two lines covering a total distance of 27 km and will help decongest traffic in the centre of the city. The preliminary study will be ready in 1979 and actual work on the project is expected to begin in 1981. The construction of at least part of the underground in operation by 1985. The cost of the whole system and the extension of an existing electric railway line is estimated at $880m.

To modernise urban transport, the Government plans to import 1,500 new buses, in addition to 300 recently ordered from Hungary. The cost of these buses and relevant facilities such as garages is put at $139m.

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WORLD TRADE NEWS

U.S. and Japan compete to aid China oil development

BY OUR FOREIGN STAFF

UNITED STATES and Japanese oil companies are competing for the right to participate with China in the exploration and development of considerable offshore oil and gas reserves.

In Washington it was reported that four U.S. oil companies have been invited to Peking to discuss co-operation, while talks are also taking place with the Japan National Oil Corporation.

Japan has been told that China plans to develop the resources in the East and South China Seas for export and that it needs to obtain foreign technology to do so. News agency reports from Tokyo suggest that Japan is regarded as the most desirable partner.

U.S. State Department officials consider it most unlikely that President Carter's decision earlier this week to put all oil technology sales under Government review would result in a ban on any export licences to China as the President's action was aimed at the Soviet Union.

The Administration is keen to accelerate trade links with Peking, and earlier this month U.S. Department of Energy representatives visited China as part of a high powered Government delegation.

Executives from Pennzoil of Houston visited Peking last month, and teams from the three other companies—Exxon, Union Oil of California and Phillips Petroleum—are to visit the Chinese capital separately in the next month.

The U.S. Trade Council, asked by the Chinese to arrange the visits, says the discussions are only preliminary and that it is too early for the companies to be aiming any competitive bids for any specific deals.

But the council is optimistic that China, pledged to increase its annual production from over 90m tonnes last year to 400m tonnes by 1990, will eventually buy U.S. technology and expertise. It has already bought some U.S.-built offshore rigs.

Last autumn a Chinese delegation visited U.S. oilfields ranging from the Gulf of Mexico to Alaska.

Peking mission for Australia

BY JOHN HOFFMANN

PEKING, July 23.

CHINESE metallurgical authorities are making arrangements to send a mission to Australia following the successful visit to China this month of an Australian iron and steel group.

The composition and itinerary of the Chinese delegation are uncertain but an invitation from Australia has been accepted and the visit is likely to take place in August.

The Chinese group will be eager to study Australia's exploitation of its ferrous and non-ferrous mineral resources, prospecting and exploration techniques, and iron and steel processing.

It could be followed later in the same month by a purchasing mission with short term orders for high grade Australian ore and finished steel.

If Australia wins sales — and handsome contracts are likely—they will be the first since the injection of optimism which followed negotiations in China by Mr. Lynch, the Minister for Industry and Commerce, last May.

Short term contracts for ore and steel are not new. China has dealt with Australian producers on a quarterly basis for several years.

However, Chinese authorities have recently shown a willingness to consider longer term arrangements.

In a further acceleration of activity between iron and steel interests in China and Australia, a delegation of Conzinc Rio Tinto Australia executives, experts in ore extraction, steel-making and metallurgical technology, will arrive in Peking in the first few days of August under the leadership of Sir Roderick Carnegie.

This month's Australian mission, led by Mr. J. A. Innes, a director and general manager of Hamersley Iron Pty Ltd., returned to Australia a week ago after an intensive study of China's mines and steelworks.

Australian trade officials in Peking said that few foreign groups had been granted such a thorough view of the industry.

Chinese authorities, who in the past had regarded Australia only as a supplier of materials, were impressed with Australia's grasp of advanced metallurgical technology. This had probably influenced the speed with which China was assembling its return mission, which would be looking for ways to upgrade methods of exploration and processing.

China's plentiful but lowgrade ore creates quality problems at the bottom end of the production line and Chinese steelmakers agree that they have much to learn about beneficiation and sintering processes.

The possibility of Australia's trading its expertise, perhaps as part of a materials and know-how package, is a new element in Sino-Australian arrangements.

A further prospect which emerged during the visit of the Innes mission is that of a Chinese demand for Australian coking coal. China was noncommittal about the prospect but agreed that increased production of higher quality steels might demand a better grade of coking coal than China itself produces.

Rio ore deal seen as promising

BY OUR OWN CORRESPONDENT

RIO DE JANEIRO, July 23.

BRAZIL'S new trade agreement with China, involving the sale of 250,000 tonnes of Brazilian iron ore (half in pellets, half sinter feed) and the purchase of 682,000 barrels of light, low sulphur content Chinese oil, is regarded here as modest but important in its implications.

The financial sum involved is only $10m, but as far as Brazil's diplomatic and mineral authorities are concerned, it is a worthy beginning and, if two-way trade develops as they expect it to, in the foreseeable future there will be justification for establishing full diplomatic relations with the People's Republic of China.

The body that benefits most immediately from the new deal, signed in Peking this week, is the Brazilian State mining conglomerate, Companhia Vale do Rio Doce (CVRD), responsible for this first, experimental shipment of iron ore to China.

Anticipating the conclusion of the Chinese deal, it has secured rights from the Government of the Philippines to set up an iron ore depot in the Philippines port of Mindanao, so that it can trans-ship China-bound cargo from its large ore carriers to smaller vessels (the port of Shanghai can only take vessels under 40,000 tonnes).

CVRD's expectations of a much larger deal with China, involving between 10 and 15m tonnes of sinter feed or pelletised iron ore rest on the new Shanghai steelworks, with a planned annual output of 6m tonnes, and a requirement for the high iron ratio ore which China's own Liao O'Ning reserves cannot provide.

The experimental shipments (beginning this October) will be tested in conjunction with Chinese ore. CVRD is confident that the results will be in its favour.

● At the completion of its visit to Bulgaria, a Brazilian trade mission has signed three trade agreements covering the period of 1979-80 and involving $20m in two way trade.

Under these agreements, Brazil will sell automobiles, iron ore and soya to Bulgaria, and import soda ash, steel products, pharmaceutical raw materials and, possibly, wheat.

The agreements with Bulgaria follow new deals with the German Democratic Republic ($1.25bn in two way trade) and with Poland (two agreements—one for $350m in exchanges of Brazilian textiles and Polish chemicals, the other for $2.5bn, covering Brazilian iron ore and Polish coal).

Abu Dhabi oil deal

ABU DHABI, July 23.

ABU DHABI and three foreign oil companies today signed a $1.6bn project to collect, process and export natural gas from the emirate's onshore oilfields.

Under the 30-year agreement, the State-owned Abu Dhabi National Oil Company will have a 68 per cent holding in the new venture, with Shell and the Compagnie Française des Pétroles each holding 15 per cent and the Lisbon-based Partex the remaining 2 per cent.

Reuter

Coal from America reduced

By Stewart Fleming

NEW YORK, July 23.

COAL COMPANIES in the United States are being forced to accept cutbacks in their export sales to Japanese steelmakers and lower price increases than had been anticipated under new contracts that are now being finalised.

Earlier this week one of the largest U.S. coal companies, Pittston, announced that it had accepted a 15 per cent reduction in the amount of coal its Japanese customers will buy in the fiscal year beginning April 1, and a further 15 per cent of sales will be deferred to the period beginning April 1979.

While Pittston said that it was receiving a 5.5 per cent price increase under the contracts, coal industry analysts say that this rise is less than might have been anticipated.

It is suggested that Japanese companies have tightened up on the terms of contracts allowing U.S. coal producers to pass on costs and that this will result in further pressure on profit margins.

SHIPPING REPORT

Tanker rates disappoint

By Lynton McLain

OIL TANKER freight rates last week failed to maintain the upward momentum of the beginning of the month when brokers reported at the weekend.

Only one large ship, an ultra-large crude carrier, was reported to have fixed a cargo. This was for a voyage out of the Gulf to Greece at Worldscale 31. There were tentative reports that a VLCC had fixed a cargo out of the Gulf at Worldscale 27.

The failure of the market to maintain any upward momentum in rates has caused bunching of tonnage in loading areas, including the Gulf. Brokers reported few fixtures for smaller vessels from the area last week.

There was better news for owners trading out of the Mediterranean last week. Rates improved marginally, with a 140,000 ton vessel fixing a charter to the U.S. East Coast at Worldscale 38.

The proportion of combined carriers operating in the oil trades dropped again last month, John I. Jacobs and Company, shipcharterers said. This was likely to have been more a reflection of the depressed oil tanker market than an improvement in the dry cargo sector.

Rates in dry cargo trades continued to move downwards last week. The rate for grain cargo between the Gulf and Japan on a 50,000 ton vessel fell to $10 compared with $10.75 the previous week.

Steel mill mission

By Our Own Correspondent

ISLAMABAD, July 23.

A DELEGATION headed by Mr. Ghulam Ishaque Khan, Pakistan's Finance Minister, left today for Moscow to negotiate more funds for the country's first steel mill being built with Soviet assistance. The mill, near Karachi, has cost over $1bn and it said by officials to need another $260m before completion.

BRAZILIAN OIL

Amazon success for Petrobras

BY DIANA SMITH IN RIO DE JANEIRO

ABOUT 3,000 metres (well over a mile) beneath the earth's surface, Petrobras, Brazil's oil conglomerate, has found oil deep in the Amazon Jungle.

The discovery puts an end to decades of frustrated drilling of 200 wells in the lower, middle and upper Amazon, regions with some 1m square kilometres of sedimentary basins which, Petrobras hoped, might harbour oil.

Well Jurua-1 769 km south of Manaus, 65 km east of the small town of Carauari on the banks of the Jurua River (the nearest area of human habitation) cost Petrobras $8m to drill, over a period of nine months, wearing out hundreds of 300-carat diamond drillheads. In fact, the probe was almost abandoned as another lost cause.

The drills had to penetrate a 15,000 metre-thick layer of diabase (ultra hard magnetite and limonite)—a layer of the sort that made accurate seismic measurements virtually impossible, meaning that Petrobras was drilling on hopes and determination rather than firm prospects of oil.

Having penetrated that layer, the drills continued for a further 1,000 metres, while the crew fought off clouds of mosquitoes and gnats, and suffered painful often dangerous bites from hordes of poisonous spiders, in the clearing they had hacked in the jungle. Still there were no encouraging signs. The drills stopped at 3,064 metres.

Having almost decided to give up, Petrobras's technicians rechecked data they had gleaned from the well. They went deeper down. Jurua-1 showed a high rate of electric conductivity—a sign of the presence of natural gas.

Indeed, Jurua-1, after further probes of its chambers, yielded natural gas at a measured rate of 360,000 cubic metres a day. What rushed to the surface was originally thought to be a condensation of natural gas and natural petrol.

That "condensation" after samples had been shipped thousands of miles south to Rio de Janeiro for testing, turned out to be oil—super-light and exceptionally high quality (45 degrees on the API—American Petroleum Institute—scale).

As a source of comparison, Venezuela's oil at 19 degrees API is heavy and Arabian oil (light) has an average of 30 to 40 degrees API.

If it too soon to tell whether Jurua-1's oil is commercially viable. Other wells will be drilled to define the field only then will the potential of the area be calculable.

But the discovery means a total review of Petrobras's Amazon programme. Probing through the obstinate diabase, however costly in time with only 11 metres drilled a day compared with 30 to 50 metres in less-resistant sedimertary areas, has paid off.

And the people of Carauari, a municipality of 75,000 inhabitants whose only access to the outside world is by boat, living with ghosts of the 19th century Amazon rubber boom and subsequent bust, are taking a new lease on life.

If the Jurua field proves to a commercial proposition Petrobras will build a pipeline from the jungle depths to the Jurua River (navigable all year round) and ship the oil on rafts to Manaus or Belem, 2,000 km away.

Meanwhile, four foreign oil companies, now that Petrobras has found oil in the jungle, are reported to have sounded out possibilities of risk contracts there—and been turned down. Currently, only offshore areas are available for risk contracts—including the Amazon mouth, where Shell is reported to have found "encouraging signs" in its probes there.

World Economic Indicators

UNEMPLOYMENT

		July '78	June '78	May '78	July '77
U.K.*	000's	1,371.3	1,364.6	1,366.4	1,342
	%	5.7	5.7	5.7	5.8
		June '78	May '78	April '78	June '77
W. Germany	000's	887.3	912.9	1,000.4	930.9
	%	3.9	4.0	4.4	4.1
Holland*	000's	204.1	202.3	202.0	186.4
	%	5.1	5.1	5.1	4.8
		May '78	April '78	March '78	May '77
U.S.*	000's	6,149.0	5,983.0	6,148.0	6,780.0
	%	6.2	6.0	6.2	6.9
		April '78	March '78	Feb. '78	April '77
France*	000's	1,105.7	1,086.1	1,050.3	1,039.4
	%	5.1	5.0	4.9	4.9
Japan	000's	1,230.0	1,410.0	1,360.0	1,060.0
	%	2.2	2.6	2.5	1.9
Belgium	000's	280.2	284.1	290.9	252.6
	%	11.4	11.5	11.8	9.7
		April '78	Jan. '78	Oct. '77	April '77
Italy	000's	1,450.0	1,520.0	1,598.0	1,432.0
	%	7.2	8.0	8.0	6.7

* Seasonally adjusted

HOME NEWS

Argyll oil reserves may be up-rated

BY RAY DAFTER, ENERGY CORRESPONDENT

THE AMOUNT of recoverable oil reserves in the Hamilton group's North Sea Argyll Field is expected to be substantially up-rated as a result of the latest development well.

The well, the ninth to be drilled on block 30/24, has just been linked to the Argyll production system, boosting output from about 20,000 barrels a day to nearer 30,000 b/d.

If the well continues to perform satisfactorily over a period of several months, Hamilton Brothers—the field's operator—and its partners may submit an amended production profile to the Government. It is likely that the group will sink further wells in order to tap more of the reserves on the faulted structure.

As a result, it is expected in the industry that the Argyll group will boost its estimate of recoverable reserves from about 22m barrels to more than 30m barrels, an increase worth more than £55m at current prices.

Stockbrokers Wood, Mackenzie, in its North Sea report published today, says that on the basis of the latest well, and assuming that two more wells are successful, it is increasing its estimate of recoverable reserves from 25m barrels to perhaps as much as 40m barrels.

Wood, Mackenzie adds that the field's life also could be extended. It is thought in the industry that Argyll, the first UK offshore field to be brought on stream, still could be producing oil well into the 1980s.

The latest production well is expected to transform the medium-term prospects for Argyll. About a year ago the partners became concerned about the amount of water seeping into three of the field's four production wells. At that time it seemed that oil production could not be continued much beyond early 1979.

Pipe inquiry

Interests in Argyll are: Hamilton Brothers (36 per cent); Rio Tinto-Zinc (25 per cent); Texaco (24 per cent); Blackfriars Oil (12.5 per cent); Trans-European (2.5 per cent).

● Shell and Esso have been investigating the possibility of using a Norwegian pipeline system to transport oil ashore from its North Sea Fulmar Field.

Fulmar lies in British waters, about 35 miles northwest of the Argyll find and just 20 miles from the major pipeline which runs from the Norwegian Ekofisk Field to the shore terminal on Teesside.

According to the Norwegian newspaper, Rogalands Avis, Mr. Kjell Traa, managing director of Norpipe, the pipeline's operator, said that the company had been in touch with Shell about the transport of oil from a UK field.

The pipeline was built to transport up to 1m barrels of oil a day from the Phillips Group's Ekofisk Field and other discoveries in the area, although total production from this complex is not expected to rise beyond 700,000 b/d. Mr. Traa said that oil from the UK field could be transported at the earliest in 1980.

Shell, as operator for the Fulmar partnership, said that it was continuing its planning on the basis of a Government-approved scheme for tanker-loading facilities. But, it was keeping an open mind on the subject and pipeline transmission was still a possibility.

Fulmar, with about 450m barrels of recoverable reserves, is expected to produce oil at a rate of 150,000 to 180,000 barrels a day.

National Savings deposits fall £43m

BY ADRIENNE GLEESON

LARGE amounts of money have been withdrawn from the National Savings Bank's investment accounts during the past two months.

Provisional figures from the Department for National Savings show that £43m was withdrawn in the five weeks to July 7. Still larger amounts were taken out in the second week of this month and they will show in the next set of figures.

These withdrawals reflect the decision of institutional depositors that the money they invested during early summer last year, before the Department for National Savings put a £50,000 limit on the size of holdings, should be put to other use. The general level of interest rates, which strongly favoured deposits in the National Savings Bank's investment accounts this time last year, is working in the opposite direction.

Partly because of these withdrawals—which resulted in a net outflow from investment accounts of £21.2m—net receipts from National Savings fell in the five weeks to the beginning of July, for the second time running. As against net receipts of £81.8m in May—and £137.4m in April—they amounted to only £65.6m in the period to July 7.

Sharp slide

Another factor in their decline was the sharp reduction in the sales of British Savings Bonds, where net receipts of £4.3m were the lowest since September. However, National Savings Certificates — other than the index-linked retirement issue—continue to do well and net receipts in the five weeks now reported climbed to £57.5m from £47.6m in May. The National Savings Bank ordinary account also is attracting money and net receipts of £7.4m are the best in June for many years.

A relatively low level of receipts in the past two months has meant that first-quarter figures for National Savings are well down on those reported for the corresponding period last year.

Net receipts of £284.8m—excluding accrued interest—are little over half of the £533.8m received in the first quarter of 1977-78.

Britain should consider federal system, says Pym

BY PHILIP RAWSTORNE

A FEDERAL system of government should be considered as an alternative to the Government's devolution proposals, Mr. Francis Pym, Conservative spokesman on devolution, said at the week-end.

He told Young Conservatives at Prestwich, Manchester that the Scotland Bill could lead to "federalism by stealth."

There were already signs of resentment among English MPs that Scots MPs would be able to vote at Westminster on English issues. Such pressures would push the English towards a separate executive and assembly.

"If that happened we would have a quasi-federal system based on a series of assemblies, all of which would bear the hallmarks of instability, inconsistency and confusion inherent in the Government's Bill for the initial Assembly in Scotland."

Thorough examination should be made of a federal option that would provide more precise and stable government.

"This is not a call for federalism. It is a contribution to a discussion on federalism."

Such an examination could best be carried out in the all-party conference which the Conservatives had suggested should discuss various schemes for devolution.

The operation of Northern Ireland's Government in the past pointed to some of the benefits that could result from the extension of such a system to the rest of the United Kingdom.

Four assemblies could exercise concurrent powers in England, Scotland, Wales and Northern Ireland.

The UK Government would retain overall sovereignty and authority to legislate on any matter, though a convention could be established that it did not normally legislate in the devolved spheres. If there were any conflict in the laws, those of the UK would take precedence.

Debate

The precise powers to be devolved would be a matter for debate, but probably they would include housing, education, health, local government and transport.

"The forms of regional aid could be devolved though perhaps not the amount of it."

Defence, foreign affairs, trade customs and banks would be reserved to Westminster which, in the interests of co-ordination, might also retain its powers over social services, nationalised industries, energy, company law, agriculture and fishing.

"Finance ought to be no more of a problem than for Northern Ireland. A block budget could form the basis . . . calculated on need.

"The important point is that the assemblies are free to spend the monies allocated to them as they wish—and the fact that they cover the whole U.K. would assist them.

"A small additional tax-raising power may help to alleviate any feeling of unfair treatment that arises."

A Bill of Rights to govern the assemblies would have to be considered. "We need to protect citizens from arbitrary administrative decisions, to guarantee the independence of non-government institutions and to protect privacy."

The House of Lords might function as a second chamber for assembly legislation, so that a UK view could be given on devolved legislation.

Mr. Pym said that such an option offered many possible improvements on the Government's plans. "If we are to end up with quasi-federalism I would rather we do so on the basis of a scheme founded on federal practices and principles than one that is internally inconsistent."

London traders call for bigger airports

By Michael Donne, Aerospace Correspondent

EXPANSION of facilities at Heathrow, Gatwick and Stansted Airports is so essential that planning permission for new developments at those airports should be given without further delay, says London Chamber of Commerce and Industry in a memorandum on airports policy sent to the Department of Trade.

It says that not only should the proposed Terminal Four at Heathrow be permitted, but also serious consideration given to development of a fifth terminal on the site of the Perry Oaks Sewage Works, though the British Airports Authority has ruled out the latter development.

While accepting that there are disadvantages to the location of Terminal Four, which is designed to raise Heathrow's capacity from 30m passengers a year to 38m, the Chamber says that this is the best alternative to easing air traffic congestion in the short-to-medium term.

Handicap fear

It does not see the diversion of London traffic to other airports as a solution to the capital's air transport problems. It might be a serious handicap to maintaining London as a centre for international trade, finance and tourism.

The memorandum sees Heathrow as having to carry the main burden of expansion, but considers that both Gatwick and Stansted could be better utilised.

Gatwick does not offer an alternative to the fourth terminal at Heathrow, but as larger aircraft are introduced, could be developed for more passenger capacity.

While there might be objections to a big expansion of Stansted, it would be "well worth examining" whether some expansion there could contribute to a solution of East End employment problems, given actual or proposed improved road and rail links.

New committee likely to speed EEC banking rules

BY MICHAEL BLANDEN

PROGRESS in establishing new EEC rules for the regulation of banks is expected to accelerate shortly with the creation of a new advisory committee of supervisory authorities.

UK bankers regard this step as likely to provide the pacesetter for important developments in the harmonisation of the Community's banking regulations. These will include the planned legislation in the UK which will for the first time establish a system of licensing for all deposit-taking instutions.

A top-level group of representatives from the British Bankers' Association, which includes all types of UK bank, was encouraged by the results of a recent visit to the European Commission. This included talks with Mr. Christopher Tugendhat, the British Commissioner who has responsibility for financial institutions.

As new regulations are introduced, they are likely to make a significant impact on UK banks in relation particularly to their disclosure of profits and provisions and possibly to the shape of their reports and accounts.

The establishment of the advisory committee appears to be taking rather longer than had been hoped. Some difficulties have arisen as a result of differing structures of supervision in the member countries. And there may be uncertainty over which institutions should be represented.

However, it is confidently expected that the impetus which has recently been given to harmonisation will be maintained. The major event has been adoption by the Council of Ministers late last year of a directive covering the harmonisation of banking regulation.

After long debate within the Community, this set out basic guidelines for the individual countries to follow, without inhibiting their freedom to adopt their own particular style of regulation. In particular, it left the Bank of England able to retain its non-statutory systems.

Details which will have to be filled in include the basic prudential ratios—the liquidity and capital ratios which indicate a bank's security—to which supervisory authorities will be expected to work.

There will also be new disclosure provisions. These could require the disclosure of true profits and possibly the publication of provisions made by banks. At present, the merchant banks are among the important groups of institutions in the UK which are allowed to keep hidden reserves; and the clearing banks, though showing true profits, do not disclose provisions.

There is also some concern in the British Bankers' Association about the ideas being floated for harmonisation of bank accounts. They are worried that an attempt may be made to bring their reporting more into line with the requirements for industrial and commercial companies already adopted—and that this could reduce the international comparability of bank accounts which fall into a category of their own.

CBI backs calls for reducing EEC agricultural surpluses

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE CONFEDERATION of British Industry yesterday endorsed calls by a wide range of pressure groups in this country for fundamental changes to the European Common Agricultural Policy.

Using more restrained language than some organisations such as the Consumers' Association, it said that EEC prices should be more closely linked to world prices, thus avoiding production of large surpluses which were stored at great expense at subsidised prices.

In a Paper approved by the Confederation's council last week, the CBI said that there should be a gradual return to a genuine common price system.

The present system of monetary compensation payments divided the Community into a series of national markets, with West German farmers getting far higher prices than those in some other countries, including Britain.

This, it said, was an uneconomic allocation of resources. The objective should be to return to a common price where devaluations and revaluations had the same effect on agricultural production as on any other industry.

Acknowledging that such a change could not be introduced immediately, the CBI proposed that in the long term this common price should be expressed in terms of a weighted average of the currencies of all the member countries and not just the strong ones.

The CBI echoed calls for allowing reliable producers of cheap food access to Community markets.

The emphasis on self sufficiency should not be such as to prevent the EEC's buying part of its requirements through international trade, where there were producers whose efficiency seemed likely to ensure a reliable supply at cheap prices.

In general the EEC should participate more fully in international commodity agreements.

Turning to the highly emotional subject of the "food mountains" created by present EEC policies, the CBI suggested three measures for reducing the surpluses.

Firstly a greater marketing effort to promote increased consumption of products such as milk; secondly, more forward planning to estimate future developments in world production and prices; and thirdly "social measures" such as retraining to deal with problems of small farmers.

Lister extension

A £200,000 extension is to be added to the factory at Thrupp, Gloucestershire, of R. A. Lister Power Plant, a Hawker Siddeley company. The 1,000 square metre extension, due for completion in November, will be used for assembly and electrical switchgear work.

Short-time compensation plan attacked

GOVERNMENT proposals to provide compensation for short-time working seem to penalise companies and industries which practise effective manpower planning or have stable markets and little short-time working, says the British Institute of Management.

"Successful companies and industries would be required to finance special arrangements for 'lame ducks,' for the less successful of their competitors, or to meet the problems of difficult industries. This not equitable," says a submission by the institute to the Department of Employment published today.

The institute was responding to a DE consultative document, issued in April, which proposed that all employers (including the public sector) might be required to pay 75 per cent normal gross pay (taxable) for each day (minimum £6.60; maximum £15 a day) when employees were put on short-time for any reason other than a strike.

There would be no limit on the number of days for which compensation was paid provided there was not more than one week's continuous lay-off.

The employer would be refunded 50 per cent of the cost from a central fund to which he and the Exchequer would contribute equally following a 0.15 per cent increase in employers' National Insurance contribution.

The institute said: "The reaction of our members to these proposals varied from strong condemnation to grave reservations about the likely benefits to be derived from them.

"By providing relatively easy access to public funds, the scheme detracts from the need to make individual concerns economically viable.

State spending cuts 'the only inflation cure'

THE ONLY remedy for inflation is to cut Government expenditure and so eliminate the excessive public borrowing requirement, according to a report prepared by the Economic Research Council.

Government borrowing has always been associated with high inflation, says the study.

It also recommends that taxes on earned income should be reduced and indirect taxes increased.

Taxes on changes in capital assets by individuals or groups should be completely abolished because they impede the free flow of capital. Both these moves would lower unemployment by stimulating private industry and directing it to growth areas.

The state has been taking an increasing share of the country's total income from production and services, says the report. This has increased from 9.9 per cent in 1955 to 22.7 per cent in 1976. The share taken by employees has fallen from 71.1 per cent to 63.2 per cent and the employers' share is down from 19.1 per cent to 14.1 per cent.

(Excessive Taxes Lead to Inflation and Unemployment. Economic Research Council, 55 Park Lane, London. Price 75p.)

Private health service growing says report

THE ACT to take pay-beds out of the National Health Service will encourage the growth of a separate private health service, according to a report published today.

The reduction in the number of pay-beds from the original 4,400 to around 3,000 means that there are now more beds for private medical care outside the Health Service than there are in it. This move will encourage the trend in which more money is spent on private medical care outside the Health Service than in it, according to the report. Private and National Health Services, by the Policy Studies Institute.

Farmer could soon be silicon chip—Silkin

TOMORROW'S farmer could well be a silicon chip no bigger than a pin's head. Mr. John Silkin, Agriculture Minister, said yesterday.

The technological revolution heralded by the microprocessor, applied to agriculture, would completely alter the roles of the farmer and the farm-worker.

He suggested that the social implications of this new technology would be to prove yet again that the land belongs to the people.

LABOUR NEWS

Times Newspapers plans new disputes procedure

BY ALAN PIKE, LABOUR CORRESPONDENT

THE MANAGEMENT of Times Newspapers, which has warned that it will suspend all publication from November 30 unless it achieves improvements in industrial relations, will this week send proposals for a new disputes procedure to print union leaders.

The warning that publication of all the group's newspapers might be suspended was first given at the end of April when Times Newspapers wrote to print union general secretaries seeking talks on ways of overcoming disruption of production and resolving disputes more speedily.

These talks have not yet taken place and at the weekend Mr. M. J. Hussey, chief executive, wrote again to the unions asking for an early meeting. He also sent a letter to all members of Times Newspapers' staff which will reach them this morning.

This letter repeats the November 30 deadline for achieving agreement on the industrial relations reforms which the company is seeking.

It stresses that the company believes the proposed changes can be agreed by negotiation by that date but adds that if publication does have to be suspended notice will be in accordance with legal requirements and individual contracts.

Mr. Hussey said yesterday that the details of the changes in disputes procedure which Times Newspapers wishes to discuss with the unions had now been prepared and would be sent to general secretaries later this week.

Mr. Bill Keys, general secretary of the Society of Graphical and Allied Trades and chairman of the TUC printing industries committee, said that he had responded to Mr. Hussey's April letter on behalf of his executive the following month making *positive proposals for talks.* "If he wants to meet the unions at national and branch level the offer is there."

Concern about the failure of agreed disputes procedures to work effectively in Fleet Street has been expressed by Sir Richard Marsh, chairman of the *Newspaper Publishers Association*, on a number of occasions.

He said last week that industrial disruption in national newspapers was "intolerable" and that the only sanction which union leaders could use to control their members was "the power to withhold union membership from those who break union rules or union agreements."

Mersey dock strike talks

BY OUR LIVERPOOL CORRESPONDENT

REPRESENTATIVES of Merseyside's 300 striking lock-gate men and members of the Transport and General Workers' Union are to get together with officials at Transport House, Liverpool, today in an effort to settle the strike paralysing Liverpool docks.

Thirty ocean-going vessels are pinned in the docks and another 22 incoming ships are anchored 14 miles out at the Mersey Bar.

Ships cannot move without the aid of the lock-gate men on both sides of the river, and ships for Bromborough Eastham and the Manchester Ship Canal are also affected.

A number of dockers worked overtime as usual yesterday on specialised ships in the port and a harbour official said: "We are hoping some solution will emerge to end this disastrous position."

The strike developed from an official dispute in which 90 Transport and General Workers Union men in cold stores refused to stamp imported butter under EEC regulations some weeks ago. The lock-gate men came out in sympathy, and the trouble became worse when one ship slipped out of the port when gates were open.

Isle of Man and Irish car ferry services are not affected.

Bid to change TUC council

THE General and Municipal Workers' Union is to renew attempts to change the structure of the TUC general council in a motion it will put before the annual congress in September.

This calls for automatic representation for all unions with more than 100,000 members and elections to decide representation on behalf of smaller unions.

Low-paid 'should get £4.50 more'

By Our Labour Correspondent

THE Government should amend its pay policy White Paper so that the lowest paid groups of workers are guaranteed minimum cash increases of £4.50 a week, the Low-Pay Unit says in a report published today.

In a White Paper published on Friday the Government said it would be prepared to see *percentage* increases higher than its 5 per cent. guideline where these would not result in earnings of more than £44.50 for a normal full-time week. The £44.50 figure is computed by the Government to represent the TUC's £30 minimum wage target in 1974-75 updated by *maximum* increases generally available under incomes policies since then.

However, the Low-Pay Unit says that in its view the TUC's £30 figure should be updated in 1978 not to £44.50 but to £55. It argues that policies which do not guarantee minimum cash increases are of little benefit to the low-paid and asks instead for a formula which would require all wage councils to award minimum increases of £4.50—the equivalent of 5 per cent on average male earnings.

In another attack on low pay yesterday, Mr. Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers, said it was incredible that in 1978 many people who worked to feed the nation could not afford to keep their families fed.

Many farmworkers with families, he told the annual Dorset rally commemorating the Tolpuddle martyrs, had their wages supplemented by family income supplement. This was intolerable because the supplement was devised for people whose earnings were not enough to keep their families at a bare subsistence level.

The agricultural workers' union will seek this year to almost double existing minimum rates to £80 and win a five-hour cut in the working week in its claim to the Agricultural Wages Board.

Mr. Boddy told the rally that farmworkers would regard a 5 per cent. increase—representing a rise in the minimum wage *of £2.15*—as an insult.

"It would be bad enough if we did not hear of other better-paid groups being regarded as special cases. But with that it becomes intolerable. More than that, it ensures that the industry will not survive. It will die for lack of people to enter it when wages are so low."

APPOINTMENTS

Executive posts at Westland Engineers

Mr. J. Taylor has been appointed deputy managing director of WESTLAND ENGINEERS. He was formerly sales director. Mr. R. L. Gillham has been made finance director and company secretary and Mr. C. J. Cooper, who was works manager, is now works director.

★

Mr. P. J. Mason, formerly marketing director, has been appointed managing director of WEMYSS WEAVECRAFT, a subsidiary of the Low and Bonar Group, Dundee. He replaces Mr. W. B. McKee, who becomes deputy chairman. Mr. D. C. Wild has been made managing director of Bibby and Baron Cartons and Mr. G. E. Perkins succeeds him as general manager. Mr. H. Kerr has joined Bonar Long and Co. as chief engineer from Parsons Peebles in Edinburgh.

★

Mr. Malcolm Goodman has been appointed by VI. CHURCHILL (SPECIAL TOOLS) as marketing executive with responsibility for researching European and international markets. He joins the company from British Leyland and was previously general manager, Lucas Industries.

★

Professor D. V. Lindley, formerly head of the Department of Statistics and Computer Science at University College, London, has been appointed to an honorary professorship in the Department of Statistics at the UNIVERSITY OF WARWICK.

★

Mr Norman Reddaway has joined the Board of CATALYTIC INTERNATIONAL INC. to further the development of export contracts for overseas petrochemical projects from its London office. Mr. Reddaway retired from UK Government service last May as Ambassador to Poland.

★

Mr. B. K. Shattock has joined DECCA RADAR as manager of the Marine Division (Naval). Until his retirement last September Mr. Shattock was a communications and electronic warfare specialist in the Royal Navy with the rank of Captain.

★

Mr J. Lister Rodger, having completed the responsibility which he undertook on behalf of SIR FREDERICK SNOW AND PARTNERS for the initiation and development of their overseas activities through Sir Frederick Snow (International), has now given up his duties as joint managing director and has resigned from the Board. Within the partnership he will continue his overseas activities as a consultant to the company and Mr. Ronald Herbert will become managing director.

★

Mr. M. S. Gampell and Mr. Ian A. Phillips have been appointed to the Board of GUSTOMAGIC MANUFACTURING COMPANY. Mr. A. M. Cloggie has relinquished executive responsibilities. Mr. G. Adams (deputy managing director) becomes acting managing director. Mr. Cecil Burney continues as chairman and Mr. M. A. Ashcroft remains deputy chairman.

★

Mr D. S. Allison has been elected chairman of the committee of the PROPERTY UNIT TRUSTS. He succeeds Mr. C. J. Baker, who was the first chairman of the committee.

★

Mr. D. K. Silvester has been elected president of the INSTITUTION OF PUBLIC HEALTH ENGINEERS for 1978-79. Mr J. C. Clancey and Mr. E. W. Flaxman have become vice-presidents for 1978-81.

★

Mr Graham E. Watts has been appointed company secretary to GEORGE MILLER UNDERWRITING AGENCIES.

★

Mr Roger Wallhouse has been appointed to the Board of BOC DATASOLVE as marketing director. He was previously the company's marketing manager.

★

Mr. Norman C. Stranberg has been appointed vice-president—Europe for GENERAL DYNAMICS INTERNATIONAL CORPORATION based in Brussels. He replaces Mr. James J. Murphy who has become vice-president—marketing at General Dynamics Pomona division.

★

Mr. W. D. Whitehead has been appointed secretary of TALLENT ENGINEERING, a member of the Colston Group.

★

Sir George Erskine has retired as a director of the LONDON AND PROVINCIAL TRUST.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Allied Plant, Royal Station Hotel, York, 12
Amber Ind., 2-4 St. Mary Axe, E.C., 2.30
Capital and Counties Prop., 40, Broadway, S.W., 12
Dominion and General Trust, 3, Albyn Place, Edinburgh, 12
Pulvmark Intl., Jeddo Road, Shepherds Bush, W., 3
Property Hldgs. and Inv. Trust, Dorchester, Hull, 12.15

BOARD MEETINGS—
Finals:
A.A.H.
Change Wares
Craig Shipping
Neepsand
Sique Gorman
Interims:
Howard Machinery
Jamesons Chocolates
Ladies Pride Outerwear
Leda Inv. Trust

DIVIDEND & INTEREST PAYMENTS—
Aida Packaging 4.1206p
Brown Shipley 5.264p
Charter Consolidated (Reg.) 5.27645p, (Br.) 5.27645p
Churchbury Estates 2.877p
Land Investors 0.2p
Northern Ind. Improvement Trust 1.65p
Provincial Laundries 0.2354p
Scottish Invest. Trust Ord 1.1p
Swan Hunter 3p

TOMORROW

COMPANY MEETINGS—
Bridgend Processes, 77 London Wall, E.C., 10.30
Globe Inv. Trust, Electra House, Victoria Embankment, 11.30
Hargreaves, Bowcliffe Hall, Wetherby, West Yorkshire, 12
London Sumatra Plantations, 100, Old Broad Street, E.C., 3
Northern Goldsmiths, Royal Station Hotel, Newcastle-upon-Tyne, 11.45
Sketchley, Rugby Road, Hinckley, Leicestershire, 3
Sturla, Dorchester Hotel, W., 12
Sterling Ind., 2-4, St Mary Axe, E.C. 12
Transparent Paper, Café Royal, Regent Street, W., 12.30

BOARD MEETINGS—
Finals:
Amalgamated Distilled Products
Davy Intnl.
Geevor Tin Mines
Howard Tenens Services
Ingram (Harold)
Macarthys Pharmaceuticals
Wheeler's Restaurants
Interims:
Glasgow Stockholders Trust
Grindlays
National Westminster Bank
Rotaflex (G. B.)
Taylor Woodrow
Vantage Securities

DIVIDEND & INTEREST PAYMENTS—
Andersons Rubber 0.9518p
Arfon 10½pcBds. Red 20/1/82 5¼pc
Blaenau Gwent 10½pcBds. Red. 20/1/82 5¼pc
Brunning Ord. and Rest V. Ord. 2.31p
Cambridgeshire 7pcBds. Red. 31/1/79 3½pc
Carless Capel and Leonard 0.5529p
Charnwood 7pcBds Red 31/1/79 3½pc
Clwyd 7pcBds. Red. 31/1/79 3½pc
Corporation of London 7pcBds. Red. 31/1/79 3½pc. 8½pcBds. Red. 23/1/80 4¼pc
Craven 7pcBds. Red. 31/1/79 3½pc
Debenhams Lns. 3½ and 3¾pc
East Hertfordshire 8½pcBds. Red. 23/1/80 4¼pc
Eastleigh 7pcBds. Red. 31/1/79 3½pc
Fairdale Textile Ord. and A 0.86p
General Electric 65 cts.
Leeds 7pcBds. Red. 31/1/79 3½pc
London 8½pcBds. Red. 23/1/80 4¼pc. 7pcBds. Red. 31/1/79 3½pc
Manufacturers Hanover .52 cts.
Merton 7pcBds. Red. 31/1/79 3½pc
Newbury 7pcBds. Red. 31/1/79 3½pc
North Tyneside 7pcBds. Red. 31/1/79 3½pc
Orkney Islands 10¼pcBds. Red. 19/1/83 5⅛pc
Pendle Var. Rate Bds. Red. 19/1/83 £3.6250
Property Holdings and Inv. Trust 4.037p
Redbridge 7pcBds. Red 31/1/79 3½pc
Renfrew 7pcBds Red 31/1/79 3½pc
Sevenoaks Var. Rate Bds. Red. 19/1/83 £3.6250
Sheffield 7pcBds. Red. 31/1/79 3½pc
Sketchley 2.85983p
Slough 7pcBds. Red. 31/1/79 3½pc
South Wight 7pcBds. Red. 31/1/79 3½pc
Thamesdown Var. Rate Bds. Red. 19/1/83 £3.6250
Trafford Var. Rate 19/1/83 £3.6250
Treasury Stk. 12pc 1995 6pc
Uttlesford 7pcBds. Red 31/1/79 3½pc. 9¼pcBds. Red. 21/1/81 4⅝pc
Vina Del Mar (City of) (Chile) 5pc (now 3pc) Ln. 1½pc
Wellingborough 7pcBds. Red. 31/1/79 3½pc

WEDNESDAY, JULY 26

COMPANY MEETINGS—
Austin (E.), Winchester House, E.C., 12
British and Commonwealth Shipping, 14-20 St Mary Axe, E.C., 12
Caledonia Invs., 2-4, St Mary Axe, E.C., 3
Coalite and Chemical Prods., Savoy Hotel, W.C., 12
Continental Ind. Trust, 120, Cheapside, E.C., 3
De La Rue, Café Royal Regent Street, W., 11.30
Dunhill (A.), 60 Regent Street, W., 12
Energy Services and Electronics, 100, Old Broad Street, E.C., 12
Monks Inv. Trust, Great Eastern Hotel, E.C., 10.15
Mountview Estates, Russell Hotel, W.C., 12
New Throgmorton Trust, 25 Milk Street, E.C., 12.30
Ocean Wilsons, 100, Old Broad Street, E.C., 12
Powell Duffryn, Dorchester Hotel, W., 12
Rediffusion, Connaught Rooms Great Queen Street, W.C., 12.15
Samuel (H.), Hunters Road, Birmingham, 12
Staveley Ind., 76, Shoe Lane E.C., 12
Spillers, 9, Little Trinity Lane, E.C., 12
600 Group, Grosvenor Hotel, W., 11.30

BOARD MEETINGS—
Finals:
Laurence Scott
PMA
Rosgill
Somportex
Stock Conversion & Inv. Trust
Interims:
Albion
General Stockholders Inv. Trust
Gillett Bros Discount
Pratt (F.) Engineering
Vosper

DIVIDEND & INTEREST PAYMENTS—
Blaby 12½pcBds. Red. 26/7/78 £6.1815
Borders 10pcBds. Red. 26/7/78 £5.1644
Buckinghamshire 10pcBds. Red. 26/7/78 £5.1644
Dartford 10pcBds. Red. 26/7/78 £5.1644
Dudley 10pcBds. Red. 26/7/78 £5.1644
Eastbourne 10pcBds. Red. 26/7/78 £5.1644
Gosport 12½pcBds. Red. 26/7/78 £6.4795
Hart 10pcBds. Red. 26/7/78 £5.1644
Havering 10pcBds. Red. 26/7/78 £5.1644
[illegible] 10pcBds. Red. 26/7/78 £5.1644
Norwest Holst 3.3125p
Ocean Wilsons 1.875p
Plymouth 10pcBds. Red 26/7/78 £5.1644
Russell Bros. (Paddington) 3.27925p
Sefton 10pcBds. Red. 26/7/78 £5.1644
Sheffield 10pcBds. Red. 26/7/78 £5.1644
Siglaw Inds. 7.5p
South Shropshire 10pcBds. Red. 26/7/78 £5.1644
Treasury Ln. 7¼pc 85-88 3⅝pc. 7¾pc 2012-2015 3⅞pc
Wakefield 10pcBds. Red. 26/7/78 £5.1644

THURSDAY, JULY 27

COMPANY MEETINGS—
Ambrose Inv. Trust, Inst. of Chartered Accountants, E.C., 12.30
Beechwood Construction, Dragon Hotel, Swansea, 12
British Steam Specialties, Grand Hotel, Leicester, 12
Callyns, Central Library, Eastbourne, 3
Carlton Ind., Dragonara Hotel, Redcliffe Way, Bristol, 12.30
Comben, Dragonara Hotel, Redcliffe Way, Bristol, 12
Cohen (A.), 8, Waterloo Place, St. James's, S.W., 12
Exchange Telegraph, Extel House, E.C., 12
Leigh Interests, 75, Harborne Road, Edgbaston, Birmingham, 12
Lyons (J.), Cumberland Hotel, Marble Arch, 10.30
Plysu, 100, Old Broad Street, E.C., 11
Press (Wm.), Inn on the Park, W., 11.30
Sangers, Connaught Rooms, Great Queen Street, W.C., 12
Sheepbridge Engineering, Grosvenor House, W., 12.30
Wheway Watson, Central Hotel, Glasgow, 12.15

BOARD MEETINGS—
Finals:
Cawoods
Commercial Bank of Australia
Denbyware
Fitch Lovell
Hillards
Inchcape
Jarvis (J.)
Letraset Intnl.
Lynton Holdings
Pullman (R. and J.)
Redland
Interims:
Barclays Bank
Beaumont Props.
Cardinal Inv. Trust
Hill and Smith
Jacobs (John I.)
Prestige
Yorkshire Chemicals

DIVIDEND & INTEREST PAYMENTS—
Ambrose Inv. Trust Inc. 2.7p
Attwood Garages 0.3375p
British Steam Specialties 3.637p
Camden 12½pcBds. Red. 23/7/80 6¼pc
Derby 12½pcBds. Red. 23/7/80 6¼pc
Dunhill (Alfred) 6.05451p
Ellenroad Ring Mill 1.656p
Flexello Castors and Wheels 1.155p
Hargreaves 1.9167p
Hunting Associated Inds. 1.58967p
Nayanara Tea 20p
Rediffusion 3.916p
Rugby 12½pcBds. Red. 23/7/80 6¼pc
Southend-on-Sea 5¼pc Red. 77/79 2⅝pc
Unitex 2.75p

FRIDAY, JULY 28

COMPANY MEETINGS—
BPB Ind., 15-17, Marylebone Road, N.W., 12
Crosby Spring Interiors, Fleece Hotel, St. Helens, 11.30
Dartmouth Inv., Botanical Gardens, Westbourne Road, Birmingham, 12
Lindustries, Dorchester Hotel, W., 12
Lloyd (F. H.), Albany Hotel, Birmingham, 12
Parker (Francis), Connaught Rooms, Great Queen Street, 10.30
Pegler Hattersley, Danum Hotel, High Street, Doncaster, 12
Tesco Stores, Connaught Rooms, Great Queen Street, 12
U.K.O., 100, Old Broad Street, E.C., 12
Unilock, Inst. of Chartered Accountants, E.C., 3
Woodhead (Jonas), Queen's Hotel, Leeds, 12

BOARD MEETINGS—
Finals:
Brady Inds.
General Engineering (Radcliffe)
Hardy (Furnishers)
Mining Supplies
Stafley Intnl.
Stavert Zigomala
Steinberg
Interims:
Midland Bank
Plastic Constructions

DIVIDEND & INTEREST PAYMENTS—
Allied Plant 0.405p
Anglia Television N.V. A 2.088p
Anglo-American Corp. of South Africa 25 cts.
Bank of Nova Scotia 24 cts.
Canadian Imperial Bank of Commerce 36 cts. New Pro rata to amount paid up
Canadian Pacific 50 cts. 7¼pc Red. Prd. A $6. 25 cts. 4pcNon-Cum.Pf. 2pc. 4pc Non-Cum Pf. ($C3) 2pc
Carlton Inds. 6.47p
Chapman (Balham) 2.445p
Clyde Blowers 0.32085p
Corn Exchange 1.098075p
Courtaulds 5.051p
Dartmouth Invs. 0.40709p
Dorrington Inv. 1.6894p
Electronic Rentals 3p
Holt Lloyd Intl. 4.15p
London and Holyrood Trust 2.5p
London and Provincial Trust 2.3p
Macanie (London) 1.682p
NCR 25 cts.
National Trading 5½pcPf. 2.75pc
Plysu 0.8407p
Rediffusion Tele. 5.95pcPf. 2.975pc
Robertson Foods 4.3511p
Sainsbury (J.) 1.9874p
600 Group 2.23p
Smith (David S.) 1.412p
Southend Stadium 0.347p. Pfd. 3.5p
Sumrie Clothes 1.5p
Tesco Stores 0.9233p
Toronto Dominion Bank 31 cts.

Building and Civil Engineering

£100m Hong Kong project

ONE OF the most ambitious highways projects in the Far East is heralded by the announcement that consultants have been appointed to study the linking of the Hong Kong islands.

An agreement was signed last week and under this Mott Hay and Anderson Far East, in association with Per Hall Consultants, Harris and Sutherland Far East and L. G. Mouchel and Partners (ASIA) will study the feasibility of linking the Hong Kong mainland with Tsing Yi Island, Ma Wan and Lantau. The cost of such a road link-up will be at least £100m.

The engineering consultants are expected to produce the results of their feasibility studies by next February and there will then be a two-year period for designs to be prepared before the award of the first contracts.

Initially, ideas envisage a four-lane crossing linking Lantau with the mainland and this will call for a bridge across Rambler Channel to Tsing Yi Island, a bridge or tunnel from Tsing Yi to Ma Wan Island and a bridge between Ma Wan and Lantau. Considerable development, including an airport, is envisaged for Lantau.

Bridges involved in this project will be among the largest in the world and one of them will be one-and-a-half times the size of Britain's Severn Bridge.

Law courts at Leicester

SIR ROBERT McALPINE and Sons is to construct a Crown Courts building in Ashwell Street/Wellington Street, Leicester, under a £3.2m contract from the Property Services Agency.

The building is to be of a reinforced concrete frame, brick clad, measuring 60 metres by 55 metres on plan. It will incorporate six court rooms, chambers, kitchen, restaurant, dining rooms and holding cells and be served by three lifts.

Work begins immediately with completed programme scheduled for late 1980.

£1.4m Portsmouth dock

LAND RECLAIMED from the sea in Portsmouth Harbour is being used to provide a £1.4m fitting-out dock. The project is part of an expansion plan for shipbuilder Vosper Thornycroft (UK) and will involve dredging of the local channel to provide a ship turning area leading from the new dock to the main navigable channel at high tide.

The detailed design, carried out by W. S. Atkins and Partners, is for a wet dock, 122 metres long, 29 metres wide and 5.5 metres deep with a removable caisson gate at the seaward end. It will provide a fitting-out basin for up to six large modern patrol craft at one time and ship support systems as well as water mains, power for welding and compressed air for construction purposes.

The dock walls will be of tied and anchored interlocking steel sheet piled construction with a coping beam in reinforced concrete. Concrete service ducts will be put behind the cope beam to house all the mechanical and electrical services under removable load bearing covers.

Work is being carried out by Tarmac and will take about 46 weeks.

Somewhere to start

NEW PREMISES for three companies are now under construction at the Cambridge Science Park which is about two miles from the centre of the town.

Latest companies to move in are Cambridge Consultants, which specialises in contract research and development, Coherent (UK), a pioneer in advanced laser technology and Lintech Instruments which specialises in electron beam technology.

The buildings have been designed for advanced technological activities and enable operations to be expanded without uprooting expensive research or manufacturing equipment. One company, for instance, LaserScan Laboratories, is now expanding its facilities to 16,500 square feet. This is its second expansion from the original 5,000 square feet originally occupied.

The Science Park's current building programme provides for "starter units" to enable small businesses to get started with facilities available for growth. Lintech Instruments is the first company to take up the opportunity.

Agent and project manager for the Cambridge Science Park is Bidwells of Trumpington Road, Cambridge.

£4.8m for Fairclough

CONTRACTS FROM various London Boroughs and local authorities in the north west total over £4.8m for Fairclough Building.

Four London housing contracts, together worth £4.4m are for houses and flats in Islington, Lewisham, Stamford Hill and Mitcham.

Work on shopping, industrial, local authority housing and hospital schemes worth over £1.7m have gone to the north western division of the company. The largest is for a superstore and shop units for International Stores at Bolton and another two are for improvements to pre-war council homes in Manchester and sundry works at the Hollinwood premises of Ferranti.

The company has also started work on extensions and alterations to Salford Royal Hospital which will cost £150,000.

Finnegan's £2.2m for homes

CONTRACTS WORTH more than £2.2m., the bulk of which is for the construction of new homes, have been won by FPA Finnegan, main building subsidiary of the FPA Construction Group.

Barnsley Borough Council has awarded a £1½m contract for 86 homes at the New England Estate at Barnsley; £562,000 from Sheffield Corporation is for 52 semi-detached and terraced houses at Gloucester Street, Sheffield. Work on both projects is scheduled to begin within the next few weeks.

A third contract, worth more than £531,000, from Trent Regional Health Authority, is for the construction of an artificial limb and appliance centre at the Northern General Hospital, Sheffield.

£2m orders for Trent Concrete

ONE OF the largest producers of precast concrete structural components in the UK, Trent Concrete of Nottingham, has announced the receipt of orders totalling nearly £2m.

Nearly half of the total figure comprises orders for flooring components, and orders worth £600,000 have been received from Mars, the British Aircraft Corporation and British Nuclear Fuels.

The company's cladding components have attracted £350,000 worth from customers such as the Co-operative Society, Girling and SEGAS. Cladding will also be supplied for a new computer controlled signal box at Clapham Junction.

Homes in London

H. FAIRWEATHER and Company, the contract building division of the Wood Hall Building Group, has been awarded a contract valued at £1.8m for the construction of 118 dwellings at Seagrave Road, S.W.6, for the London Borough of Hammersmith.

Construction will be on two sites; the larger, the southern site, was previously occupied by industrial buildings. The major site will provide 29 four-person, two-bedroom units; nine-six-person, three-bedroom units and two bungalows for handicapped persons.

There will also be two groups of two-person accommodation, chiefly sheltered accommodation. The first, Category One sheltered accommodation, will comprise 38 flats in two and three storey blocks. The sheltered accommodation will be on the ground floor and first floor. A feature of the scheme will be the provision of a number of small courtyards.

On the northern site, providing Category Two sheltered accommodation, there will be 30 flats in adjoining two and four storey blocks arranged to form an "L" shape.

The total development includes landscaped areas, some of which will be used for play, with small courtyards reserved for the elderly.

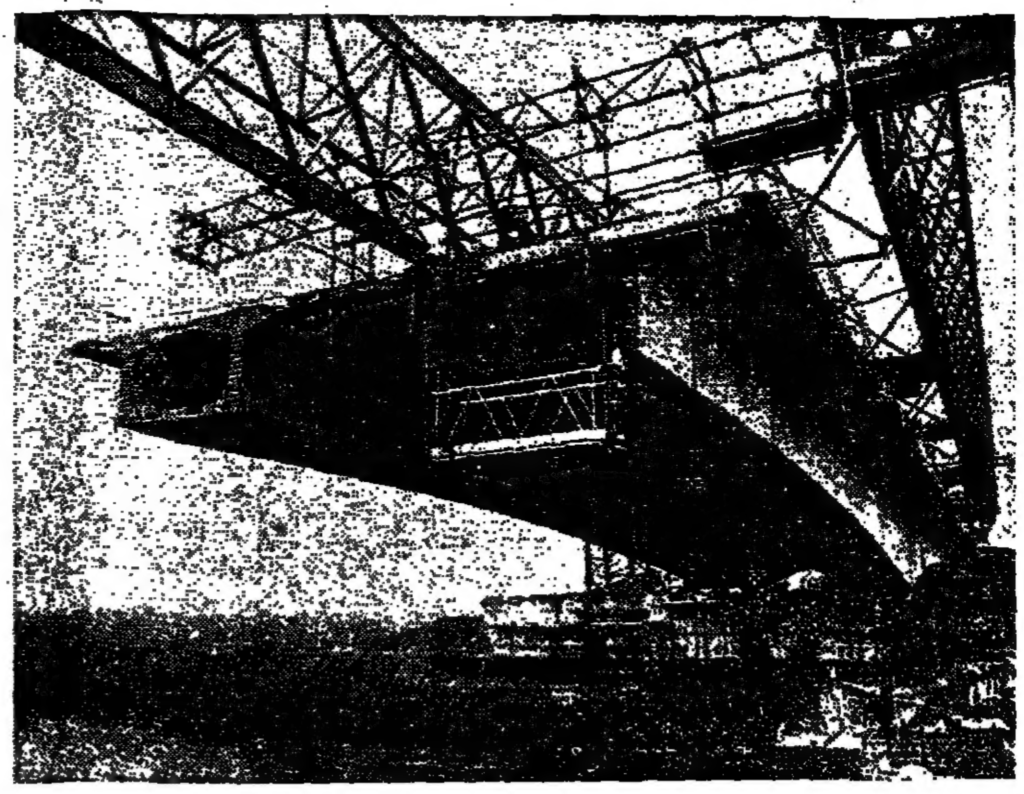
Pipeline in Wales

THE BRITISH Gas Corporation (Wales Region) has awarded a contract worth about £1.7m to McAlpine Services and Pipelines. This involves the laying of about 25,550 metres of 450 mm diameter wrapped steel very high pressure pipeline from Llanwrst Branch to Pentir in North Wales. The work also includes preliminary high level testing, radiography, testing and reinstatement.

Factory in Iraq

A FACTORY offering a potential output of 120,000 sq metres of precast flooring units a year is due to open at Abu Ghuraib, near Baghdad in the autumn under a package deal prepared by Omnia International Building Systems and White Young and Partners.

The contract provides for the design and layout of the factory complex, details of machinery, plant and services required, and the training of personnel to run the factory. This project is being constructed for the State Constructional Contracting Company of Iraq at a cost of about £350,000.



Epoxy-jointed prestressed segmental construction is being used for the new M180 motorway bridge over the River Trent south-east of Scunthorpe. Box girder segments are cast off-site and erected by the *balanced cantilever method* using a specially designed launching girder. Main contractor is Cementation Construction and the pre-cast concrete deck units are being supplied by Dow Mac Concrete. Picture shows the first two completed balanced cantilevers on the east bank of the Trent.

Fun and games in Dubai

NOW TAKING shape are two very different projects designed by architects Scott, Brownrigg and Turner.

In the Gulf, in Dubai, work on the Leisure Centre and the adjacent Magic Fruit Garden which will cost about £3m, is well under way. The latter is to be a play park for children with large glass reinforced plastics structures shaped like fruit and flowers. There will be 14 ft 6 in "apples" and 22 ft "pineapples." Ice cream kiosks are to be shaped like strawberries and "oranges" will have large mouths so that people can go inside and sit in the shade. There will also be bananas, say the architects.

Large "flowers" will intersperse the fruit and will surround the pools of the adjacent water garden which is to have a wave-making machine and a water slide.

Project manager is Trade Circle Technical Industries (Dubai) and the operating manager will be Rank Leisure Services.

Much more prosaic is the [illegible] sq ft office building being built at a cost of about £400,000 for Trafalgar House Developments at Romford, Essex. Completion is expected in January 1979. The offices, on five floors, will be open plan to receive tenants' partitioning and a bridge will link the building with a future development on the other side of the road. Main contractor is Willett.

Electronics plant

A SEVEN ACRE site in Oldham Road, Newton Heath, Manchester, is to include an office and distribution complex of 110,000 sq ft for 200 employees with room for further expansion. It will be developed by Pochin, building and civil engineering group, at a cost of £1m for Sharp Electronics (UK).

Fairey maps Saudi Arabia

PRODUCTION OF 150 different map sheets in 1:50,000 scale covering an area of about 110,000 square kilometres of the South Shammar Region, Saudi Arabia, is being undertaken by Fairey Surveys under a contract worth £1.23m.

This contract, for the Ministry of Petroleum and Mineral Resources, represents the third and final stage of survey work in the area, the first being aerial photography and the collation of basic information.

The company—part of Fairey Holdings—first entered negotiations for this latest stage in August last year, in competition with eight other companies from the U.S., France, Japan, Holland, Germany and Switzerland.

IN BRIEF

● Tilbury Group has won contracts totalling over £1m. Included is erection of new, remodelled and extended buildings for the London Borough of Wandsworth (£362,500), erection of staff amenity blocks at the Hammersmith depot of London Transport (£261,000), the Holdenhurst and Berry Hill Sludge Thickening Scheme for Wessex Water Authority (Poole) (£173,000), and a surfacing contract for main contractor W. and C. French involving the A120 Great Dunmow By-Pass (£213,000).

● A new multi-storey car park for 495 vehicles, part of the Cardiff City Centre redevelopment, is to be built under a contract worth about £700,000 awarded to John Laing by South Glamorgan County Council. External finishes will be of precast concrete cladding panels, and the building will incorporate electronic monitoring and control equipment together with lifts and other facilities.

● Film Cooling Towers has won a £150,000 order from Davy Powergas for two cooling towers for large methanol plants in Siberia. The two towers will cool process water at a rate of 3,400 cubic metres per hour each in ambient temperatures down to minus 55 degrees C.

● Yorkshire Regional Health Authority has awarded a £332,000 contract to Taylor Woodrow Construction (Northern) for the construction and fitting out of a pharmacy at St. James' Hospital, Leeds.

APPOINTMENTS

EDUCATIONAL

MOTOR CARS

COMPANY NOTICES

DIVIDEND NOTICE

TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS FOR COMMON STOCK OF TOKYO SHIBAURA ELECTRIC CO., LTD. (TOKYO SHIBAURA DENKI KABUSHIKI KAISHA)

DESIGNATED COUPON NO 30

(Action required on or prior to November 30th 1978)**

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of February 15th, 1970, among Tokyo Shibaura Electric Co., Ltd., (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE that at the general meeting of stockholders of the Company held in Tokyo, Japan on 30th June 1978, such stockholders approved the payment of a dividend* of 2.50 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock of record on Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese Taxes, has been received by the Custodian, as agent for the Depositary, and pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 202.019 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Malaya, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to a 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organized thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15%, it is necessary that the surrender of Coupon No. 30 be accompanied by a properly completed and signed certificate (copies of the form of which are obtainable at the office of the Depositary in London or any Depositary Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 30. Such certificates may be forwarded by the Depositary to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Depositary's Agent listed below.

DEPOSITARY'S AGENTS

Name	Address
Chemical Bank.	Frankfurt, Germany.
The Bank of Tokyo, Ltd.,	London, England.
The Bank of Tokyo, Ltd.,	Paris, France.
The Bank of Tokyo, Ltd.,	Brussels, Belgium.
The Bank of Tokyo, Ltd.,	Frankfurt, Germany.
Pierson, Heldring & Pierson.	Amsterdam, The Netherlands.
Banca Nazionale del Lavoro.	Rome, Italy.
Banca Nazionale del Lavoro.	Milan, Italy.
Kredietbank S.A. Luxembourgeoise.	Luxembourg.

The following table sets forth the amounts payable upon presentation of Coupon No. 30 from the various denominations of Receipts.

Coupon No. 30 detached from Receipts in the denomination of:	Dividend payable (less 15% Japanese withholding tax)	Dividend payable (less 20% Japanese withholding tax)
1 Depositary Share	$ 0.52	$ 0.48
10 Depositary Shares	$ 5.25	$ 4.94
50 Depositary Shares	$ 26.29	$ 24.74
100 Depositary Shares	$ 52.59	$ 49.50
1000 Depositary Shares	$525.94	$495.00

Payment in United States Dollars in respect of Coupon No. 30 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with, a bank in New York City.

Dated: July 24th, 1978.

CHEMICAL BANK, as Depositary,
180, Strand,
London, W.C.2, England.

* 31st March, 1978 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No. 30 attached.

** Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deems appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after November 30th, 1978 the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupons No. 30.

As a result, persons surrendering Coupon No. 30 after such date will be entitled to receive from the Depositary or any Depositary's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realize such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

TAISHO MARINE AND FIRE INSURANCE COMPANY LIMITED

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS TO BEARER (EDRS)

In accordance with Clause 16 of the Deposit Agreement dated 17th September 1976, Hambros Bank Limited hereby gives notice of the convocation of the 61st Ordinary General Meeting of Shareholders of Taisho Marine and Fire Insurance Company, Limited. The particulars are as follows:

1. Date and time
   10 a.m. on July 28th 1978.
2. Place: The head office of the Nomura Securities Co. Ltd., located at 9-1 Nihonbashi 1-chome, Chuo-ku, Tokyo.
3. Purposes of the meeting:
   First Item
   Approval of the business report, balance sheet, profit and loss statement and proposal for appropriation of profits for the 61st business year (from 1st April 1977 to 31st March 1978).
   Second Item
   Partial amendment of Articles of Incorporation. In Article 5 of the Articles of Incorporation "[illegible]00,000,000 shares" shall be amended as "920,000,000 shares" Provided, however, the resolution with respect to this item shall take effect subject to the approval of the competent minister.
   Third Item
   Election of twenty-two (22) Directors due to expiration of terms of office of all the Directors.
   Fourth Item
   Election of one (1) Statutory Auditor to fill the vacancy.
   Fifth Item
   Presentation of awards to retiring Directors and Statutory Auditors for their services.

HAMBROS BANK LIMITED
41, Bishopsgate,
London, E.C.2.
24th July, 1978.

BEARER CERTIFICATES ISSUED BY MORGAN GUARANTY TRUST CO. OF NEW YORK, AGENTS FOR THE SHARES OF BAXTER TRAVENOL INTERNATIONAL CAPITAL CORPORATION

1st Series Convertible Preferred Stock

On 22nd July, 1978 Coupon No. 13 of the above bearer stock is payable at a rate of $0.27 per share, subject to deduction of all applicable local taxes, at the following banks.

MORGAN GUARANTY TRUST CO. OF NEW YORK:
—NEW YORK:
15 Broad Street (ADR Section)
—LONDON:
33 Lombard Street
—BRUSSELS:
35 avenue des Arts
—PARIS:
14 Place Vendome
—FRANKFURT:
Bockenheimer Landstrasse 8
BANCA VONWILLER SpA,
Via Armorari, 14—MILAN
BANCA VONWILLER SpA,
Via Boncompagni, [illegible]—ROME
BANK MEES & HOPE N.V.,
[illegible]—AMSTERDAM
KREDIETBANK SA,
43 Boulevard Royal
—LUXEMBOURG

BANQUE DE L'INDOCHINE ET DE SUEZ

$US40,000,000.—

FLOATING RATE NOTES DUE 1985

Notice is hereby given to the bondholders that for the period July 25, 1978 to January 25, 1979, the notes will carry interest at a rate of 9⅜% (nine and three eighths of one per per cent).

The Financial Agent
BANQUE DE SUEZ
Luxembourg

Societe Anonyme
10, rue Aldringen
Luxembourg

PUBLIC NOTICE

OLDHAM COUNCIL BILLS

£3,100,000 Bills maturing on October 18th, 1978 were offered and issued on July 19th, 1978 at an average rate of 9 11/16% pa.

Total applications for this issue amounted to £24,800,000 and these are the only bills in issue.

ART GALLERIES

ACHIM MOELLER GALLERY, 8, Grosvenor Street, off Bond Street, W.1. Tel. 493 7611. Selection of 15 paintings by KADINSKY and 20th CENTURY MASTERS. Modigliani, Leger, Braque, Mondrian, Ernst, Miro, Klee, Picasso s.o. through July.

BROWSE & DARBY, 19, Cork Street, W.1 Robin Phillipson. Women Observed. Mon.-Fri. 10.00-5.00. Sat. 10.00-12.30.

CHANDE GALLERY, 5-6, Cork St., W.1. 01-734 4626. Exhibiting paintings by GREGORY FINK. Mon.-Fri. 10-5.30. Sats. 10-1.

COVENT GARDEN GALLERY FAR AWAY. Decorative watercolours. From and of Egypt, India and China. 20, Russell St., W.C.2. Tel. 836 1139.

FIELDBORNE GALLERIES, 63, Queen's Grove, St. John's Wood. 586 3600 LANDSCAPES by Royal Academicians MARBLE Carvings. YOMA SASBURGH.

THE MARKET PLACE GALLERY, COLYTON, DEVON. Telephone (0297) 52841. Until 28th August. Westcountry Landscapes and Seascapes—Oil Paintings by Tristram Hillier R.A. and Watercolours by Charles Knight R.W.S. and 19 other artists—many works under £50. Gallery open 11 to 1 and 2.30 to 5. Closed Sundays all day and Wednesday afternoons.

CLUBS

EVE, 189, Regent Street. 734 0557. A la Carte or All-in Menu Three Spectacular Floor Shows 10.45, 12.45 and 1.45 and music of Johnny Hawkesworth & Friends.

GARGOYLE, 69, Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW THE GREAT BRITISH STRIP Show at Midnight and 1 a.m. Mon.-Fri. Closed Saturdays. 01-437 6455.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● TRANSPORT

Simpler cabling in trains

PLESSEY CONTROLS is to supply an on-train data communications system to London Transport for evaluation on an underground multiple unit.

Making use of a twin pair line as a data highway, the system is designed to minimise the amount of cabling needed and provide a flexible and versatile monitoring system for the many items of train equipment and the remote control of non-vital functions.

A control station in each driving cab is connected to a number of outstations distributed throughout the train, each with a specific function that is determined by software in conjunction with a local microprocessor. The hardware for each outstation is the same.

Use of micros also means that the data can be analysed locally to minimise the transfer of signals to and from the control station. The specific program is selected by local links and a coding system automatically identifies the function of the outstation and its location relative to the particular cab control station that is being used.

This station monitors the driver's controls for the functions linked into the system, and when a change is detected appropriate instructions are sent to the outstation concerned. Data is also received in the cab and it can either be displayed to the driver or simply used to automatically alter the outstation conditions.

Plessey believes that the system will provide savings in the many areas of design, manufacture, installation and operation of modern multiple-unit trains: designs should become simpler, and it will be easier to incorporate modifications. Fault finding in a much simpler cable system should be made easier.

More from Plessey Controls at Poole, on 02013 5161.

● ELECTRONICS

Fast wafer processing

A MACHINE designed to micro-sandblast semiconductor wafers is now available in the UK from GEC Mechanical Handling.

Called SWAN, the machine automates and improves the processing of semiconductor wafers, yields more uniform and repeatable results and thereby eliminates many chemical processes including oxide removal, texturing, selective etching, and backlapping.

The basic machine consists of precision abrasive jet units giving up to four hours of steady, uninterrupted abrasive powder flow, two sizes of conveyor feed units made from abrasive resistant material, and a reciprocator mechanism with either 6.3 in or 8.4 in linear working stroke. All the functions are independently adjustable to achieve desired results.

The result is a fast, linear throughput without time-consuming wafer mounting or waxing.

More from GEC Mechanical Handling, Birch Walk, Erith, Kent DA8 1QH. STD 03224 36933.

Board firms under fire

ACCORDING TO an investigation carried out by Larsen Sweeney Associates the Government and the National Enterprise Board may be focusing on semiconductors at the expense of the printed circuit board manufacturing industry.

A recent statement from the market research company asserts that the UK PCB industry "is crumbling in terms of technological expertise and advancement, quality and output" adding that little action is being taken to prevent the decline.

In a report that the company is making available at £335 it is claimed that since 1970 imports of boards to the UK have risen from 10 per cent to 40 per cent and that this figure will probably reach 65 per cent in 1985.

The report continues: "What is even more distressing is that these imports tend to represent the more sophisticated professional printed circuits: the UK manufacturer is increasingly left to produce the cheaper, low technology, low profit, printed circuit. The future prospects for printed circuits in the UK is depressingly bleak."

More from P.O. Box 36, Maidstone, Kent, ME14 5QE. (0622 678113.)

Keeps rogue signals out

EASILY applied by brush, spray, or silk screen, a conductive coating for plastic enclosures from MCP Electronics overcomes radiation interference and static charge problems.

Made by Metex Corporation in the U.S., Xecote is a part thermoplastic resin binder with suspended metallic conductive particles.

Plastic cabinets for electronic equipment provide no screening against radiated interference and the high resistance of plastic material does not provide leakage for any static charge.

The result is charge accumulation, so that plastic enclosures can exhibit a capacitor-like effect, holding a large charge which can abruptly be discharged leading, for example, to erasure of semiconductor memories or the corruption of digital signals.

Xecote adheres well to most plastic surfaces in coating thicknesses of 0.01 to 0.05mm, particularly if they already have a degree of roughness to provide a good key for coating. Very smooth surfaces may require a primer, and MCP can supply a range of these to suit a variety of materials and applications. The coating air dries enough to move to store in 15 minutes.

More from the company at Alperton, Wembley, Middlesex, HA0 4PE (01-902 5941).

● PERIPHERALS

Punch and read in one

LOW NOISE and a minimum of moving parts result from a design of combined paper tape punch and reader in which both functions are driven from a single low cost mains motor.

The RP30, measuring 724 x 241 x 254 mm and weighing 17 kg is particularly suitable for adding automatic send-receive facilities to modern key units such as the Teletype model 43, DECwriter and several other 110 or 300 baud terminals.

Roll or fan-fold tape are accepted by the machine which will operate in full or half duplex modes, switch selected, and in manual or automatic mode—in the latter case control is by the standard ASCII punch/reader control codes.

The interface is CCITT V24 with 20 mA current loop available as an option.

More from Microsystem Services, Duke Street, High Wycombe, Bucks (0494 41661).

Plots at fast rate

THE DT 3454 high speed plotter from Ferranti Cetec Graphics can be operated on-line or off-line to a computer.

Plotting area is 34 by 54 inches but a larger table may be specified having a plotting area of 40 by 60 inches. Maximum axial plotting speed is 960 inches per minute. Accuracy is plus or minus 0.004 inch and the unit will operate over a temperature range of 15 to 40 deg. C.

The machine has been designed to provide a cost-effective plotting facility for the direct reproduction of digital computer output data in graphic form. High-torque stepping motors are used in the servo-drives, the mechanical design of which has been kept simple to produce a robust and reliable machine.

● DATA PROCESSING

Graphics package

FOR FORTRAN-Conversant users of such computers as IBM 360, PDP-11, Prime and Nova, a complete graphics package, hardware and software, has been introduced by Imlac.

Called Dynagraphic, the system will interact with the user's own host-resident applications software and up to four of the terminals can be plugged into the RS 232 port of the mainframe. After loading a magnetic tape that the company provides the user is ready to start storing and manipulating images.

Each terminal has a 19 inch CRT with a resolution of 2048 x 2048, control from a 92 key board with lighted, user-defined function keys, and a choice of light pen or joy-stick. There are two processors, one dedicated to the display and the other to communication and picture manipulation.

The terminal is supplied complete with built-in control program so that the user can manipulate, modify and selectively erase a display without re-drawing the entire picture. Host and terminal can communicate at five selectable speeds between 300 and 9600 baud.

More from Imlac at 17 Chesham Road, Amersham, Bucks (02403 22167).

Distributed data study

THE COMPUTER Systems and Electronics Requirements Board of DoI is to try to find out from computer users, suppliers and research workers what opinions are held and what experience has been gained in relation to distributed data bases (DDB).

Pactel (of PA International) has been commissioned to carry out the work and will be undertaking in-depth interviews in the UK, Europe and North America.

The issue—whether or not the entire logical data base of an organisation should be geographically split up in some way rather than being held on a single central system—is likely to assume increasing importance into the 1980's. The objects of the study will be to determine the software and hardware opportunities for UK companies, discover the relevance of the DDB to data processing in the UK, and try to direct research and development along the right channels.

Pactel says that it will be pleased to hear from anyone who would like to have his views or experiences represented to the Department of Industry. The address is 33, Greycoat Street, London SW1P 2QF (01-828 6374).

Complete computer from Zilog

AN intelligent terminal with keyboard and video monitor, complete with a general purpose computer and a 10 megabyte moving-head disc drive has been unveiled by Zilog. Terminal and general purpose computer are in a single enclosure.

Called MCZ 1/90 the machine has 10 megabytes of moving-head disc storage for main file management run by an independent, dedicated Z80 microprocessor. Bulk storage is provided by floppy discs. Processing is performed by three more Z80 CPU microprocessors and the company's 16K dynamic RAM chips.

The high performance MCZ 1/90 provides the OEM user with expanded storage capacity for use in medium-scale business data processing applications. The terminal provides 4K bytes of RAM storage expandable up to 52K bytes, and the general purpose computer contains 32K bytes of main memory storage expandable to 64K bytes.

File management efficiency is good because part of the operating system is downloaded to 16K of high-speed static memory in the disc controller. Data transfer to and from the moving-head disc and static memory in the disc controller is handled by Zilog's Z80-DMA circuit, providing high-speed direct memory access.

The system is designed for user interaction via the 9-inch CRT monitor with 24 lines by 80 characters and a graphic mode, and a detached keyboard containing 128 ASCII upper- and lower-case characters, a 10-key numeric pad, and 13 user-definable function keys.

● HANDLING

Efficient waste collection

AT KODAK'S Hemel Hempstead, Herts, distribution centre, the 1,000 staff handling raw materials and the company's manufactured products, work in a strictly controlled environment where temperature and humidity, and now waste, are constantly monitored. A tailor-made Anchorpac handling scheme has been introduced and, says the company, has enabled Kodak to treble the percentage of material salvaged each week for reclamation.

Handling costs are said to have been dramatically reduced. Formerly, 30-40 filled waste containers were collected each week, but with the use of the P-911 compactors at the heart of this new scheme, waste collection has been reduced to about 8 per cent.

All waste is now carefully controlled throughout the complex. In all, 63 colour coded (to simplify salvage segregation) swing-lid all steel 1.1 cubic metre capacity closed wheeled containers are sited at strategic points through the centre. These are collected, in rota, throughout the day by trucks and towed, in trains of three, to the compaction centre. Here, according to their colour, they are hydraulically tipped, utilising a 600 kg lift side loader into the appropriate compactor.

The fully automatic units exert a 23 tonnes thrust every 55 seconds packing the waste—reduced to a fraction of its former bulk—into 26.8 cubic metre enclosed containers for removal and final disposal by S. Grundon (Waste).

More from the company at Bell Lane, Amersham, Buckinghamshire.

● COMMUNICATIONS

Trials go ahead in Sweden

A DATA communications link making use of optical fibre cable manufactured by ASEA Kabel has been installed for field trials at the Skutskar pulp mill of Stora Kopparberg-Bergvic in Sweden.

Main reason for the use of such a link is its insensitivity to electrical and magnetic interference and it replaces a conventional copper bearer between a central computer and a microcomputer-based remote terminal unit.

The customary combination of LED emitter, fibre and photo-detector is used in the 550 metre link and the attenuation amounts to about 5 dB/km. The ASEA cable is made from a single clad core surrounded by four further layers of reinforcement and protection.

For some years the Swedish electrical company has been applying fibre optics to communications problems in high voltage DC transmission projects, but it is understood that the pulp mill installation is using a fibre with somewhat lower attenuation.

More from ASEA, at 41 The Strand, London WC2N 5JX (01-930 5411).

● PROCESSES

Shuts plant at unsafe pressure

SENSORS which will initiate shut down of plant and equipment at specified pressures in the process and associated industries have been introduced by Robertshaw Skil.

Designated 84390, the sensors will work on increasing or decreasing pressure and contain a weather-proof, snap-acting valve operated by pressure variation around an integral sensing element. A control signal of 20 to 60 psi is fed to the valve and is either vented or blocked when a process pressure set point is reached.

The set point can be adjusted between 5 and 1,750 psi when using a bellows measuring system and between 800 and 6,500 psi when using an optional piston measuring system.

The sensors are of stainless steel construction with either automatic or manual reset. The control medium can be air, natural gas or nitrogen. Each sensor has adjustable differential and a set point which is virtually unaffected by changes in control pressure or piped vent back pressure.

More from the company at Greenhey Place, East Gillibrands, Skelmersdale, WN8 9SB (0695 23671).

● SAFETY

Less risk getting to the top

ONE OF THE features of a range of glass fibre ladders — comprising single section, two-part push-up and a step trestle types — is the section design of the stiles which are said to afford significant strength in relation to weight. The polyester sections are built up with alternative longitudinal glass fibre rovings and continuous mat.

Racking and twisting is stated to be eliminated by the Alflo compression moulded rung joint and the aluminium D rungs have 44.4mm wide flat treads for working comfort. These are also deeply fluted to produce a slip-resistant surface.

Electrical properties include a flashover between two rungs — a minimum 30 kV — and current leakage well below 1 mA. Standard safety features include heavy duty stabilisers with non-slip rubber feet on the step trestle; automatic lock on the ladders ensuring the top section is always secured in position before use; plastic wall running wheels and swivel feet on single section and two-part push-up ladders.

UK agent is Stephen and Carter, Turriff Building, Great West Road, Brentford, Middx. (01-568 3291).

● INSTRUMENTS

High speed counter

OPERATING up to 1GHz the DC 508 counter from Tektronix is designed for measurements in 800MHz two-way communications systems, UHF television, space communication and allied applications.

The instrument has a 20mV sensitivity for measurements on low-amplitude signals and incorporates a 9-digit light-emitting diode display.

An interesting feature is a 100X resolution multiplier which allows audio-frequency measurements with a resolution of 100 milli-Hertz to be carried out within one second. The speed and convenience offered by this feature are important for tests on the frequency-shift keying and tone-squelch frequencies used in many communication systems.

The Tektronix DC508 can be combined in a single TM500 mainframe with a selection of other instruments such as digital multimeter, signal sources, and oscilloscope.

More from Tektronix UK Limited, P.O. Box 69, Harpenden, Herts. (05827 63141).

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

The microprocessor and employment: the service sector dilemma

THE GOVERNMENT'S belated realisation that microelectronics may have a dramatic impact on manufacturing industry has sparked off what amounts almost to a national panic. Hardly a day goes by without some new warning of how the "silicon chip" will boost unemployment, only to be followed by a rapid riposte—arguing either that its unemployment-creating potential in manufacturing is being exaggerated, or that the unemployment it creates will be offset by new jobs in the service industries.

Leaving aside the perennial problem that the wrong surplus skills are being made available, and, in the wrong place for the expanding service industries (in Ebbw Vale rather than Croydon, for example), it is by no means as certain as most people think that the historical increase in service sector employment will continue through the 1980s, at least at a rate sufficient to soak up the numbers likely to leave manufacturing during the next decade.

Some of the reasons for this uncertainty have been discussed in recent papers by two leading academics, Professors George Ray of the National Institute of Economic and Social Research, and Christopher Freeman of the Science Policy Research Unit at the University of Sussex.

Writing in the latest issue of the journal Futures, Professor Ray amply illustrates how sensitive are forecasts of service employment to a host of assumptions and variables. Discussing eight possible "scenarios" for growth and productivity up to 1991, he suggests that employment in services could actually fall by up to 1½m people—far more than in manufacturing—swelling the national unemployment rate to 16 per cent, or (on extreme assumptions) to 4.6m people.

Admittedly, this is on the further extreme assumption that the UK catches up with average EEC rates of productivity growth: the complex ways in which EEC countries calculate productivity in the service industries may exaggerate the ground we have to make up.

All the same, the calculations severely test the conventional wisdom that a further substantial increase in service employment is a foregone conclusion. Moreover, as George Ray points out, if services do become the main growth area in the British economy, innovative activity will increase in that sector, so that labour requirements will be reduced, at least per unit output.

Where Ray and Freeman appear to differ is in the impact of microprocessors and computers on service employment. Whereas Ray obviously sees his extreme "EEC-type" scenario as unlikely, Freeman said in his recent Bernal Lecture (see this page, May 24) that the scenario could become a reality "if the full potential of the computerisation of office and distribution equipment is unleashed in the 1980s, with the large-scale displacement of secretaries, filing clerks, typists and paper-work generally."

Did not we hear all this in the 1960s, without the threatened "automated office" ever becoming a reality. Freeman argues that the situation is different this time.

A large part of the service sector is concerned with generating, recording, processing, reproducing and transmitting information in numbers or words, he says. So far, computers have admittedly affected only a small part of this system, the segment which stores and processes routine statistics.

But microprocessors are extremely small and cheap, and

BY CHRISTOPHER LORENZ

are arriving at a time when a large pool of skilled people is already familiar with computer technology—unlike in the 1960s. "Textual information and its transmission will now be increasingly affected." Freeman forecasts, with what he calls "immense consequences" for office work, printing and publishing, and many other parts of the service sector.

Whether Freeman is right or wrong in his view of the speed with which such changes could occur, there are already signs that there will be little growth of employment in what might be called the "market segment" of services—banking and insurance and activities such as distribution—whatever its chances of healthy economic growth.

Though employment in banking and insurance is still on the increase at present, the banks are already automation pacesetters, and are considering pruning their branches. At the same time, automation is gradually encroaching on such distribution activities as warehousing and vehicle fleet management. Here, the microprocessor can only accelerate existing trends.

It is what Freeman calls "genuine personal services" which are the probable main areas of service employment growth—such as hairdressing and catering in the private sector, or education and medical care in both the private and public sectors.

This distinction between the employment-generating potential of different services is already widely appreciated in government, and by an agency which ought to have a key role to play in the redeployment of labour, the Manpower Services Commission.

Whether government officials would admit the consequences of this argument is another matter, however, especially if they are confronted with controversial appeals like Professor Freeman's for large-scale public expenditure on employment-creating services as "an important element of full employment strategy in the 1980s, despite the many political pressures to reduce them."

This takes us back to Britain's all-to-familiar problem. Our export-earning industries (both manufacturing and parts of the service sector, including, to be sure, hospital treatment for Arabs and Tudor banquets for rich Americans) just do not produce enough wealth at present, in balance of payments terms, to support such employment-creating initiatives without landing us back in the devaluation-inflation conundrum.

Rather than being side-tracked into arguments about whether our concept of "economic wealth" should be replaced by "social wealth," as many people are when faced with these realities, we should agree that Professor Freeman's job-creating strategy is desirable, but that it will only be feasible when productivity in manufacturing and export-earning services has been improved.

To take up the recent discussion in the Times and FT about whether we are "de-industrialising" too rapidly, compared with our competitors, the key point is not the much-debated one about whether we have been right to shift so rapidly from manufacturing to services, but whether our added value per employee in manufacturing and services matches up to that of our chief competitors. Overall, it does not.

Until it does, it would be courting economic disaster to "solve" unemployment by creating new jobs in those services, especially in the public sector, which do not benefit the balance of payments. By mitigating unemployment in the short-term we would be accelerating its growth just a few years hence.

Futures, April 1978, IPC Business Press, 32 High Street, Guildford, Surrey.

Dubious comparisons in the risk business

VENTURE CAPITAL is becoming an increasingly emotive subject as politicians and businessmen concentrate on the possibilities of small emerging firms helping to reduce unemployment and assist in economic recovery.

The attractiveness of the subject has been recognised by BBC television which in the past fortnight has shown two reports in its "The Risk Business" series comparing venture capitalism in Britain and the U.S. Basically, the programmes lauded the American system and damned the UK. Which is a pity, because despite spending what was obviously a great deal of time and money on producing the programmes, the BBC managed to miss many of the relevant issues.

This is not to imply that the British system is faultless: it most certainly is not. But it hardly seems fair to compare, as did the BBC, examples where the American sources of venture capital were essentially rich and successful individuals and where British sources are solely institutional venture capitalists.

To start with, the American economic system both encourages the creation of personal wealth and, by allowing losses to be offset against tax, gives the individual reasonable odds in risking some of it in backing new ventures. In contrast, higher rates of tax in the UK and a certain hostility towards creation of personal wealth militate against encouraging personal venture capitalism. And, unlike the U.S., personal losses in this field cannot be offset against tax.

This is an important distinction to make since it partly explains, perhaps, how Alza, a medical products company featured by the BBC managed to attract $57m of capital before it even got a product on to the market and then raised the total to $100m before, nearing bankruptcy, it was taken over by Ciba-Geigy for $35m. Though much of the money came via a company the inference was that a group of individuals was the source of cash.

Constraints

British venture capitalists feel constrained about making total losses on investments largely because they are using other people's money. And whether it be funds from banks, as in the case of Industrial and Commercial Finance Corporation (it also raises funds in the money markets); insurance companies and similar institutions, as with the Small Business Capital Fund; or Government money as in the case of the National Research Development Corporation, it is ultimately the general public's money which either directly or indirectly is being put at risk.

Until there is widespread acceptance that such risks should be taken it seems unlikely that greater strides can be taken by institutional venture capitalists. In the U.S., as could have been explained by the BBC, such risks by institutional venture capitalists are acceptable, as is the fact, of course, that on some of their investments they make very big profits indeed.

The British venture capital companies could certainly do more for their cause by trying to educate the public directly about the risks and the rewards of their business.

And perhaps they should also consider playing a more active management role. Their usual line is that they are either investing principally because of their faith in a company's management, or that the company's product is such a winner that the calibre of its management is just one element in the risk they are taking.

As the Americans have shown there are situations where an entrepreneur seeking funds is perfectly willing to take on his financier's management to strengthen his own. This was highlighted in the first BBC programme, although it could also be argued that—on a psychological level—anybody setting up his own company is much more likely to take advice from an individual who is putting up his own money rather than an executive who is putting only a company's money at risk.

Ultimately, of course, the British Government cannot be absolved from some level of responsibility if it wants to see the exploitation of technological and other innovations. If business in general requires confidence, risk business needs a super-abundance of this commodity, and to generate this a general acceptance is needed that high rewards for risk-taking are necessary.

NICHOLAS LESLIE

An eye for the healthy approach

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

ARISING from one of the articles in this short series, a number of questions have been put to me. Some of these are fairly simple; others less so: and a few are frankly bizarre.

Quite the most remarkable in the last category came from a man who wanted to know whether I thought that camel meat would suit him as he has a somewhat sensitive digestion. He also wished to know what precautions he might take against having to eat sheep's eyes.

It turned out that he was intending to join, and then write about, some obscure rebel band somewhere in the desert in North Africa. I really could not help much except to suggest that, as apparently camel was the only food available, he should pay a visit to his dentist to make sure that his teeth were strong and sharp enough to cope with an old age pensioner of a camel (his friends were not likely to kill useful creatures) as it was likely to prove on the tough side.

Returning to more normal travel, apart from the serious matters discussed in the earlier articles, certain other precautions are advisable because a visit to, say, Singapore is not quite the same as a jaunt to Jarrow.

Clothing must be considered carefully. If one is going from the English summer to Indonesia, for example, it is very easy to forget that one will rapidly leave our green winter and be whisked to a place of notable warmth. Equally, ventures to really cold climes should be catered for, even if there are few places much colder than the UK in July. Apart from heat, protection against sunburn in hot countries is important, particularly for those with fair complexions.

Loose clothing is advisable for flying: cramped up in a small seat when wearing tight garments can prove most disturbing after a few hours. On the subject of flying, a remarkable number of people suffer real fear every time they have to embark. Expositions on the relative safety of this mode of travel is worse than useless. Most doctors will be happy to supply small quantities of anxiolytic medicaments to cover this problem. With or without them, however, heavy drinking while flying is not a good habit—even if the champagne is free.

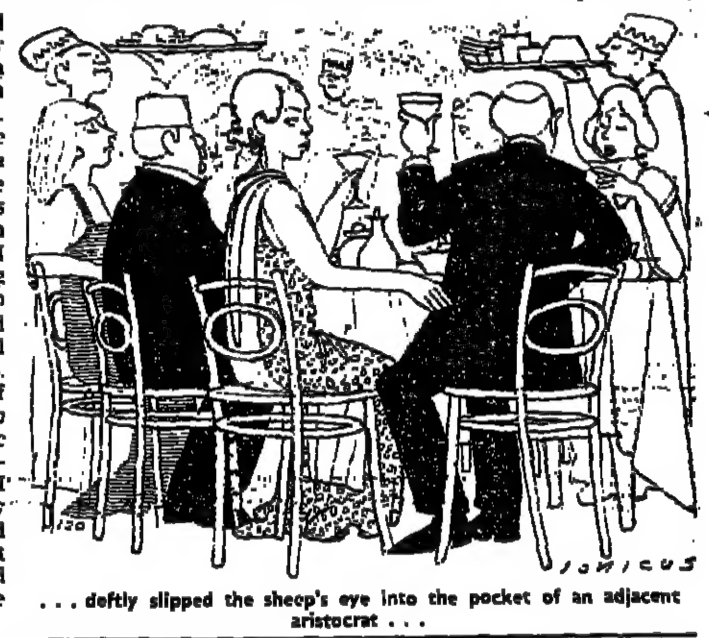
Pressurisation systems in modern aircraft are fairly efficient, but people suffering from upper respiratory infections should postpone journeys if possible, because no holiday or business deal is worth the pain and trouble that can arise from a perforated ear-drum.

Most countries in the Common Market operate a type of NHS (varying from country to country) for UK nationals. Forms can be obtained from Employment Agencies; but you only qualify if you are either a "worker" or a "pensioner." Naturally, self-employed people are barred from such services. Some enterprising firms have a list of doctors in many countries—doctors who are not only good but able to speak English. However fit one may be, it is not impossible to fall ill in a foreign country, and attempting to explain to one whose English is limited to "how do you do" can be vexatious and enervating. As costs tend to be pretty high; it is most advisable to take out adequate insurance to meet all eventualities.

This applies to the dolorous possibility of dying abroad. The cost of undertakers and airfreight are enormous in some countries and, although the victims may be unconcerned, the burden to the relatives may be insupportable when added to their personal tragedy.

"Gippy tummy," "Delhi belly," "Calcutta flutter," or what have you, can afflict anyone. The condition is probably due to bacteria to which the natives are immune (and Germans or Italians, etc., can suffer from it here). It is important, therefore, to take a supply of medicament such as Streptotriad (on prescription only) to be taken only if needed. This may make all the difference between a happy and a horrible holiday; a smooth business discussion or an embarrassing in and out affair.

Returning to my man and the sheep's eye problem, I heard a ghastly solution recently. The wife of a diplomat was horrified to be presented with this supposed delicacy. Protocol absolutely forbade her refusing the thing, but she knew also that, if she ate it, she would make a yet more shameful exhibition of herself. Thus, with remarkable sleight of hand, she deftly slipped it into the pocket of an aristocratic neighbour without his knowledge. What happened later, I do not know, but the very thought of putting one's hand into a pocket and meeting that cold and slippery horror would be enough to make one sign the pledge.



. . . deftly slipped the sheep's eye into the pocket of an adjacent aristocrat . . .

LOMBARD

Home roots of world problems

BY SAMUEL BRITTAN

IT IS good news that the Geneva trade talks have at least produced a declaration of good intent, reaffirmed at the summit. International behaviour is a little less shame-faced and bad behaviour more apologetic and less blatant in the presence of accepted rules. The growing protectionist pressures makes it all the more important to press ahead with trade liberalisation where it is still possible.

But in a climate hostile to free trade, the Geneva talks can be at best a holding operation. Although it is fashionable to call for international solutions to the economic woes which have beset the world, the problems are "only superficially international in the sense that there are no *primarily international solutions.*" I am quoting here from Dr. Jan Tumlir*, the Research Director of the GATT Secretariat. The author is well placed to assess the benefits of meetings of statesmen and of concerted international plans; but he has come to the conclusion that the main obstacles to a better world economic order are the political blockages inside each country.

Difficulty

The difficulty, according to Dr. Tumlir, is that the old-fashioned liberal belief in general rules of domestic and *international order* has given way to a belief in the unlimited ability of governments to achieve concrete and specific ends — such as guaranteeing the relative incomes of different groups of workers or deciding by political means a country's industrial structure.

One *difficulty has always* been that many people find it hard to see how there can be order in human affairs without detailed governmented prescriptions—for instance how commodity trade can flourish without international agreements on price; or how jobs destroyed by technical progress can be replaced by others, which no politician or economist is at present able to foresee.

Another reason, however, for the *stepback to liberalism*—and one which Dr. Tumlir emphasises—is its very success in the past. Although the nature of that success was little understood, it nevertheless led to increased expectations of material progress. Governments were expected to guarantee this progress, and also combine it with stability — stability not only of income but of the relative position of different groups. Eventually a degree of stability comes to be desired which makes stable progress impossible. Economic progress implies novelty and sound adaptation for it. But before this insight dawns upon the society, the state has been called upon and has promised, to make possible progress without change.

For all the talk of planning, most of the results of any particular intervention are not foreseable — still less the interactions between the many different policies governments undertake. Dr. Tumlir gives the example of cities such as New York which for excellent motives decide upon generous welfare programmes, which attract indigent people from other parts of the country. Local taxes increase, industries move out and bankruptcy looms.

"Discretionary economic intervention increases disputes between governments, and creates uncertainty for firms subject to more than one jurisdiction. Paradoxically enough the *growth of* intervention tends to weaken rather than strengthen the central government, as it is driven more and more to share its power with producer organisations, of employers or unions. Because a corporate state is organised on terms of producers, it is as Dr. Tumlir states, "constitutionally *unable to* agree with its neighbours." Summit accords, or attempted European industrial policies are merely truces in the course of jungle warfare.

Backlash

There are those who claim that the corporate state can at least generate internal peace and is likely to avoid the lurches, back*lashes and swings of the* pendulum between taxpayers' interest and social redistribution shown by regimes in which presidents or parliaments are supreme. Such a claim is made for instance by Prof. Harold Wilensky of Berkeley†. But it is interesting that the main *examples of successful* and harmonious corporatism which he quotes are Austria, Belgium and the Netherlands. (France has strong government-industry links but has too weak a central union organisation to qualify for the corporatist label.)

These small countries have *been competing as units in a* wider international and European market which set the prices to which the producer organisations have to conform. Being small their corporatism—if such it be—is no menace to their neighbours. The experience of small tightly-knit societies provides no lesson for the feasibilty or desirability of the model for larger countries or for the European Community, still less for the wider industrial world.

* *National Interest and International Order, Trade Policy Research Centre, 1 Gough Square, London, EC4A 3DE.*

† *The New Corporatism, Sage Publications, St. Georges House, 44, Hatton Garden, EC1N 8ER.*

THE WEEK IN THE COURTS

Clause for concern

BY JUSTINIAN

FIRE BROKE out one night in October 1970 at the factory in Gillingham, Kent of Photoproduction Ltd., manufacturers of Christmas cards. The premises were gutted, the damage to the building and the stock was £615,000. The fire had been deliberately started by a patrolman—on his own admittance—during the course of his employment for Securicor Ltd.

The factory owners had insured their premises against *fire, except for the first £25,000.* Securicor had insured against liability for the acts of its servants, except for the first *£10,000.* The question in the ensuing litigation between the factory owners and Securicor was in essence: whose insurers should bear the burden of the liability for the crime of a third person for whose acts neither assured was directly responsible lthough the criminal was in the employ of one of the parties?

The contract between the two parties was contained in one of the printed forms used by the Securicor Group. The standard conditions contained a clause which provided that "under no circumstances shall the company be responsible for any injurious act or default by any employee of the company unless such act or default could have been foreseen and avoided by the exercise of due diligence *on the part of the company as* his employer."

The courts found that the patrolman's act could not have been foreseen and avoided by the exercise of due diligence by his employer.

Securicor claimed that that *clause was wholly apt to exempt* it from liability for the criminal act of its servant. Taken at its face value, the clause did *exempt Securicor. And that* was enough for the trial judge, Mr. Justice MacKenna, to decide the case in Securicor's *favour.*

The courts have shown little liking for exemption clauses, and accordingly have sought ways round the *plain meaning* of them as found at least in standard form contracts. They have developed a doctrine of "*fundamental breach*" so as to remove the automatic application of the exemption clause in certain cases. The argument *runs as follows: If the contract*ing party does something which strikes at the very heart of the bargain, then the courts will treat that as fundamentally inconsistent with due performance of contract.

Mr. Justice MacKenna thought that the doctrine did not prevent him from giving effect to the exemption clause in *Securicor's* favour. He said: "When a contract provides that one of two parties shall not be 'responsible' if a particular event occurs, it is in my opinion impossible that the occurrence of that event should be treated as a breach of contract by that party. But if it cannot be treated as breach of contract, it follows that, however serious the consequence of the event, it cannot be treated as a fundamental breach. In other words, *nothing qualifies as a fundamental* breach which is not in the first place a breach, and nothing can be a breach if the *contract expressly provides* that the party shall not be responsible for its occurence. It is the essence of a breach of contract that a *party* is "responsible" *for it.* A breach for which he is not responsible is a contradiction in terms.

The simple *logic of that* argument escaped the members of the Court of Appeal who advanced various reasons why *Securicor should not* be allowed to rely on the exemption clause. They argued primarily that, since the object *of the contract was to safe*guard the factory, Securicor, acting through their servant, had at the moment when the patrolman lit the fire made further performance of the contract impossible.

Artificial

Securicor had committed a fundamental breach or a breach of a fundamental term which discharged the contract and prevented Securicor from relying on the exemption clause. In a strictly practical sense the contract became a dead letter the moment the factory was gutted; there was no longer any premises to patrol at night. But if the fire had destroyed just one wing of the factory, would the parties not have continued to operate their bargain, no doubt continuing to argue over the legal liability for the damage done by the arsonist-employee *who would have then ceased* to be employed? It seems artificial, if not illogical to say that the breach of the contract (if *there be in strict sense a* breach) was so fundamental as to bring the contract crashing to the ground.

As if sensing that this line of argument might not pass muster in the House of Lords (where the case is now destined as a result of the Court of Appeal granting leave to appeal) *Lord Denning* tried an alternative tack. He declared that the principle which lay behind all the courts' striving is simply that *the courts will not allow* a party to rely on an exemption clause in circumstances in which it would not be fair and reasonable.

Lord Denning thought it was *not* fair or reasonable to allow Securicor to rely on their exemption clause "when it was its own patrolman who deliberately burned down the *factory.*"

Mr. Justice MacKenna had himself applied the test of reasonableness, after having rejected the fundamental breach argument. He thought that the clause was a reasonable provision. He reasoned thus: "Either the owner of the premises, or the person providing the service, must bear the risk. Why should the parties not agree to its being borne by the owner of the premises?

Lord Denning's riposte to that piece of reasoning was to contend that the insurance factor—namely, the fact that both parties were insured against the loss—"cancels out, and we are left with the question as between the parties." But is that any answer? Does the fact that both parties were protected against the relevant loss make it unreasonable to suppose that the exemption clause was designed to shift the insurance burden from Securicor's insurers to Photoproduction's insurers?

It was noticeable that a second clause in the contract had provided that "if notwithstanding the foregoing provision (the exemption clause), any liability on the part of the company shall arise for any loss or damage sustained by the customer, such liability shall be limited to a maximum of £25,000 for the consequences of each incident involving fire."

Not surprisingly, the Court of Appeal did not allow Securicor to rely on that limitation of liability any more than on the *exemption clause. But does it* not indicate that the liability of the factory owners for the first £25,000 under their insur*ance policy was in the con*templation of the parties? If so, why should the courts not give effect to what the parties plainly intended—that the insurers of the factory owners should bear the risk?

CRICKET BY TREVOR BAILEY

Packer trio vital to Kent's success

KENT won their third Benson and Hedges Cup without ever being *seriously extended* by a disappointing Derbyshire. They cruised home by six wickets with 13 overs to spare, because *their opponents* were only able to muster an inadequate total of 147 against a keen, but not especially devastating attack which was, however, splendidly supported in the field.

Like its seven predecessors, this Benson final failed to provide either the cricket or the excitement which the occasion demanded.

Without a welcome miracle, and none have yet occurred in this stage of the *competition,* the outcome was a near-certainty as early as half-way through the morning session, by when the fragile Derby *batting was* becalmed and largely shattered.

As the game moved steadily to its inevitable conclusion, there was plenty of time to consider some of the recent decisions and problems of cricket's administrators.

It is easy to understand why the Kent *committee predictably* changed its minds and will now offer their three Packer men, Underwood, Woolmer and Asif Iqbal, a further contract at the end of the current season. Without this trio, Kent would never have reached the final, let alone have won it, and they certainly *would not be currently at the top* of the county championship and in with an outside chance of achieving the treble.

Success on this scale produces crowds, commercial support, revenue and interest and, although Kent have the most productive nursery in the country, it takes time to find replacements of the calibre of Underwood, Woolmer and Asif.

It could have been a different story, if the 17 first-class counties had been prepared to act in unison on this particular issue, but this clearly would not happen. The Kent committee did not feel they should reduce their club's effectiveness on the field for principles which were not being upheld by the other clubs.

Their decision raises three interesting side issues. First, what will be the view of the continued retention of Packer cricketers by the Cricketers Association. Secondly, what is the future of Alan Knott, who so conveniently resigned, letting in Downton. Alan remains the best wicket keeper-batsman in the world and should he wish to return to the county circuit, he *would prove a great asset.*

Finally, if a club currently languishing at the bottom half of the table was prepared to pay high for a controversial and proven motivator, who was also a front leader, Tony Greig, no longer with Sussex by mutual consent, would represent a fascinating choice.

He is exactly the type to respond to a personal challenge of this nature.

Baffling

Representatives of the ICC were also at Lord's. They were probably rightly baffled why so many people had paid so much money to watch cricket, which, apart from Woolmer's innings, the outfielding, and negative bowling, typified by Underwood, who sent down seven successive maidens, was largely undistinguished and reflected how much easier life had been before Tony Greig had become Packer's undercover agent.

They will be meeting to *discuss* the adverse effect the world series has had on, especially those countries where the money *and sponsors* are not available to offer their current international remuneration which makes joining Packer an unattractive proposition.

The indications are *that* the compromise, so keenly desired by the West Indies, who have lost the whole of the best team in the world, *is unlikely* to occur just yet, and it has been rumoured that a secret meeting between representatives of the two parties has proved abortive.

I am sure that New Zealand, who have at last achieved that elusive victory in the winter, will provide stern opposition in the Tests, commencing at the Oval next Thursday, but I hope the pitch will not emasculate the bowlers to the same extent as *it has done in recent years.*

In normal conditions the New Zealand seamers should cause problems for our batting, which *is probably not as strong as* was suggested by the somewhat insipid Pakistan attack.

Although the England pace *bowling is very good,* undermined by the fact that Hendrick and Lever are unable to command regular places in the team, the Kiwis have *some* batsmen of classs and character in their middle order. It will be remembered they scored heavily on their last tour, when with greater belief in themselves, they could well have won a Test.

Watching Miller bat correctly and pleasantly on Saturday, without suggesting he was able to supply the impetus required, and then noticing he was held back as a bowler, because he was short of penetration and apt to be expensive in limited overs cricket. I felt as I have done all this summer that he is lucky to be an automatic choice for England. Miller is an all-rounder of ability and potential, but he has not yet returned figures to suggest a permanent interna*tional career.*

Following the announcement of England's squad, one could not help but feel sorry for the Yorkshire off-spin bowler, Cope, who has just been, on film evidence, again banned from first-class cricket, although he has passed the scrutiny of *umpires in India, Pakistan,* New Zealand, and this country. Everyone who knows him will hope that he will be successful *in making* yet another return to county cricket.

TENNIS BY JOHN BARRETT

Davis Cup is overdue for a major reshaping

BRITAIN'S achievement of reaching the European A zone final in the Davis Cup competition—and victory against Czechoslovakia *on grass* at Eastbourne from September 15 to 17 is by no means impossible—has aroused less interest than it deserves.

The home win against Austria in June was affected, like everything else, by World Cup fever and even the John Player tournament in Birmingham was given preference on television. The latest win—3—2 against France two weekends ago in Paris was *swamped by coverage of the* British Open golf championships.

As the professional game con*tinued* to expand, these problems of recognition and awareness increasingly afflict the entire Davis Cup competition, so that even ambitious plans to have the event richly sponsored by an international group may not be able to overcome the built-in inertia that inhibits the present *structure.*

When, in 1900, Dwight F. Davis of St. Louis presented the massive silver punch-bowl, worth then $1,000, *for* annual competition between those nations which had a recognised governing body there were only 14 countries eligible and, in fact, the British Isles were the only challengers.

It is a matter of history that the British team, travelling with magnificent conceit from New *York to Boston by way of Niagara* Falls—found the hot, humid conditions totally strange and deservedly lost 0—3 (one match on the last day was unfinished and the other abandoned owing to rain).

Since those early days the Davis Cup has expanded to become *probably the most* famous international sporting trophy in the world—despite the fact that until the challenge round was abolished in 1972 only four nations, the USA (24 wins), Australia (22), Britain (9), and France (6) had ever won it. Since then South Africa by a walk-over (1974), Sweden (1975), and Italy (1976) have also succeeded.

After a slow start—there were only two challenges in 1904, seven in 1913, 23 by 1936—the Davis Cup blossomed — particularly after the second World War. As the game itself expanded in *Europe, America, Australia and* South America and the Far East the Davis Cup became the rallying point for national ambitions. In countries as diverse as Chile, *Spain, Italy and India* every match aroused national fervour and the tennis stars themselves —men such as Luis Ayala, Manuel Santana, Nicola Pietrangeli and Ramanathan Krishnan became national heroes.

In 1968 open tennis arrived, to spark an unprecedented period of growth, and the professional game, under the competitive pressures of rival promoters and rival sponsors, expanded to fill every available nook and *cranny* in an already crowded calendar. This was the unavoidable problem which the Davis Cup *faced, and still faces.*

How ridiculous, for instance, that the British players representing their country against Austria last month should be forced to miss the largest grass-court tournament outside Wimbledon and moreover forego the chance to win those valuable Grand Prix points and computer points which are the basis of a player's livelihood governing, as they do, entry to tournaments.

A luxury

The fact is that the Davis Cup can no longer afford the luxury of a season-long format, despite the fact that the stronger nations are exempted until the later rounds. The professional game has *outgrown* such prodigal use of time.

There was a time when players engaged in Davis Cup matches were awarded at least Grand Prix points, if not computer points, but internal political differences at the seat of power have ended that sensible com*promise.*

You see, the Davis Cup competition is not run, as might be expected, by the Men's International Professional Tennis Council, the body which controls and co-ordinates the professional game. No, the Davis Cup is administered by the committee of *management* of the Davis Cup nations, who meet annually in London during Wimbledon. Accordingly the smaller nations, for whom every Davis Cup match is an *important* emotional and financial event, cling to the present format and resist change.

Ideas to reshape the competition to resemble Soccer's World Cup, with eight exempted nations waiting for the emergence of eight more from a zoned knockout competition before joining them in a two week world-publicised international Davis Cup play-off have been discussed. But inevitably they are turned down.

In an effort to break down the attitudes, the players themselves, through their own Association of Tennis Professionals two years ago introduced the Nations Cup. Restructured this year and under the $200,000 sponsorship of Ambre Solaire it was re-launched in Düsseldorf last May as a round robin competition between the eight nations whose two players had the highest total of points on the computer. The semi-finals *and final were played on a knock*-out basis.

Within these modest limits and despite heated official opposition *from the Davis Cup nations,* who insisted that only national associations could select teams to represent countries the event was hugely successful. More than 35,000 spectators packed into the Rochusclub, some 8,000 more than had attended the Grand Prix event at the same venue the previous year. The matches were carried live by German TV all week and an international *body of writers acclaimed* the competition as a worthwhile advance.

It does not take much vision to imagine how successful the event might be if it was expanded to two weeks at two separate centres in the same country, and included the best 16 teams in the world. End of programming congestion; end of the struggle for exposure; end of the reluctance by many leading players to take part; *but not the end* of preliminary matches in the smaller countries prior to the final stage.

Unfortunately, though, such a scheme would mean the end, too, of the anacronistic authority of the Davis Cup nations management committee. Accordingly I *cannot see this dream* of an expanded and revitalised Davis Cup competition coming into being peacefully. Perhaps the Davis Cup will just die quietly as the Nations Cup expands to take over as the leading international team event in tennis. After more than threequarters *of a century of fine* tradition what a pity that would be.

The Davis Cup is struggling because it has become the political plaything of some of the Eastern bloc countries and their sympathisers, who for years now have used it as a means of getting publicity for their anti-apartheid stand against South Africa. Doubtless some nations would prefer to preserve that struggle under the present format.

RACING BY DOMINIC WIGAN

Tudor Melody—a great sire

THAT GOOD racehorse and outstanding sire, Tudor Melody, who is now in his 23rd year, is, subject to shareholders' approval, to be put down.

The National Stud-based stallion, ignored by many commercial breeders on his return from the United States but in recent years one of the most-sought stallions in Europe, has been losing condition of late, and his hind legs, in particular, have been steadily deteriorating.

Tudor Melody, covered 11 mares this season and it appears more than likely, at present, that he will fail to secure a foal.

A high-class racehorse in both England (where he won Royal Ascot's 1958 *Chesham Stakes and* the Prince of Wales Stakes) and in the United States, the Tudor Minstrel horse has proved even better as a sire.

His progeny have won the remarkable figure of almost 400 races, worth some £750,000. Tudor Melody has sired such notable performers as Welsh Pageant, Kashmir II, Tudor Music, Owen Dudley, Ragtime, Hayloft, Philip of Spain, Magic Flute and Lady Seymour.

Although Welsh Pageant and Kashmir II, now making a considerable impact at stud, are both colts, Tudor Melody will almost certainly be best remembered as a sire of high-class fillies and race mares, and, particularly, as a stallion who invariably brought tough and genuine performers.

Tudor Melody will probably be buried at the National Stud, where a gravestone would be erected.

Following his remarkable win on Saturday in the King George VI and Queen Elizabeth Diamond Stakes—it would be fascinating to learn the breakdown of times for the first six furlongs—Ile de Bourbon (so expertly handled by John Reid) is to bid for the St. Leger at Doncaster. There he will renew rivalry with Shirley Heights.

What a race that again promises to be, following last year's epic between Alleged and Dunfermline!

Owing to industrial difficulties, not at the Financial Times, I can make no selections today.

TV/Radio

† Indicates programmes in black and white

BBC 1

6.40 am Open University (Ultra High frequency only). 9.55 Magic Roundabout. 10.00 Jackanory. 10.15 Pink Panther. †10.35 Belle and Sebastian. 1.30 pm Mr. Benn. 1.45 Midday News. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Great Grape Ape. 5.05 Go With Noakes.
5.40 News
5.55 Nationwide (London and South East only)
6.20 Nationwide
6.50 Come Back Mrs. Noah
7.20 The World of Jacques Cousteau
8.10 Headmaster
9.00 News
9.25 Film: "One is a Lonely Number"
11.00 Revolution
11.10 The Spinners
11.30 Weather/Regional News

All Regions as BBC-1 except at the following times:—

Wales—1.30 pm Pili Pala. 5.55 Wales Today. 6.50 Heddiw. 9.25 Music for Wales. 10.55 Farming in Wales. 11.00 Gala Concert. 11.50 News and Weather for Wales.

Scotland—5.55 pm Reporting Scotland. 12.00 News and Weather for Scotland.

Northern Ireland—4.18 pm Northern Ireland News. 5.55 Scene Around Six. 12.00 Weatherman. 12.01 am Night Class. 12.21 News and Weather for Northern Ireland.

England—5.55 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40 am Open University
11.00 Play School
4.55 pm Open University
7.00 News Headlines
7.05 World Chess Championship
7.15 News
7.25 Grapevine
8.15 The Two Ronnies
9.00 Eleanor Marx
9.50 Hospital
10.40 Elkie Brooks in Concert
11.40 Late News
11.50 Closedown, reading

LONDON

9.30 am It's Life with David Bellamy. 9.55 Paint Along with Nancy. 10.20 Oscar. 10.30 Little House on the Prairie. 11.20 21st Century. 11.45 Felix the Cat. 12.00 Paperplay. 12.10 pm Rainbow. 12.30 Untamed World. 1.00 News plus FT index. 1.20 Help! 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee "Trouble with Angels." 4.20 Clapperboard. 4.45 Enid Blyton's Famous Five. 5.15 Batman.
5.45 News
6.00 Thames at 6
6.40 Help!
6.45 The Kenny Everett Video Show
7.15 Coronation Street
7.45 You're Only Young Twice
8.30 World in Action
9.00 Out
10.00 News
10.30 Appointment with Fear
12.30 am Close: Xanthi Gardner reads from "The Prophet" by Kahlil Gibran.

All IBA Regions as London except at the following times:—

ANGLIA

10.20 am Dynomutt. 10.40 You Can Make It. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm The Open Air. 1.25 Anglia News. 2.25 Monday Matinee: "The Spanish Main." 5.15 University Challenge. 6.00 About Anglia. 10.30 Speedway. 11.00 Law Centre. 12.00 Reflection.

ATV

10.20 am Survival. 10.45 Inner Space: Midget Monsters. 11.10 Young Ramsay. 12.30 pm Stated Junior. 12.30 After Noon. 1.20 ATV Newsdesk. 2.25 Matinee: "Rockets Galore." 5.15 University Challenge. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Movie of Today: "Cry Rape!"

BORDER

10.20 am Ghost Stories. 10.40 You Can Make It. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm Gardening Today. 1.20 Border News. 2.00 Houseparty. 2.25 Matinee: "Sweet Smell of Success." 5.15 Cartoon Time. 6.00 Lookaround Monday. 6.15 University Challenge. 10.30 Look Who's Talking. 11.00 McCloud. 12.30 am Border News Summary.

CHANNEL

1.18 pm Channel News. 2.25 The Monday Matinee: "Separate Tables." 5.15 University Challenge. 6.00 Channel News. 6.10 Skippy. 10.28 Channel Late News. 10.32 Code R. 11.30 Late Movie: "The Black Torment." 12.20 News and Weather in French followed by Channel Gazette.

GRAMPIAN

9.25 am First Thing. 10.20 [illegible] Garden. 10.40 You Can Make It. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm Gardening Today. 1.20 Grampian Headlines. 2.25 Monday Matinee: "State Secret." 5.15 University Challenge. 6.00 Grampian Today. 6.10 Top Club. 10.30 Reflections. 10.35 Film: "Gentlemen Prefer Blondes." 12.30 am Grampian Headlines.

GRANADA

10.20 am Sesame Street. 11.20 Skippy. 11.45 [illegible] 12.30 pm The Open Air. 1.20 [illegible] 2.25 Monday Matinee: [illegible] 5.10 This is Your Right. 5.15 [illegible] 6.00 Granada Reports. [illegible]

HTV

10.20 am Young Country. 10.40 You Can Make It. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm The Open Air. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Job-Line. 2.25 [illegible] "The Canterville Ghost." 5.15 University Challenge. 6.00 Report West. 6.15 Report Wales. [illegible]

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 2.00-2.30 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 Report West Headlines. 6.15-6.45 Report West.

SCOTTISH

10.20 am The Beachcombers. 10.40 You Can Make It. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm Gardening Today. 1.25 News and Road Report. 2.25 Matinee: "No Name on the Bullet." 5.10 Berry's Lot. 5.15 University Challenge. 6.00 Scotland Today. 6.30 Crossroads. 10.30 [illegible] World Worth Keeping. 11.00 Late Call. 11.05 The Prisoner. 12.05 am The Big Break.

SOUTHERN

10.20 am Woody Woodpecker. 10.40 You Can Make It. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm Farm Progress. 1.20 Southern News. 2.00 Houseparty. 2.25 Matinee: "Louis Armstrong Chicago Style." 5.15 Berry's Lot. 5.20 Crossroads. 6.00 Day by Day. Laverne and Shirley. 10.30 Talking Bikes. 11.00 Southern News Extra. 11.10 The Law Centre. [illegible] Weather Forecast followed by Damascus Road.

TYNE TEES

9.25 am A Good Word. 10.20 Gift of Tomorrow. 11.00 Cartoon Time. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm Last of the Wild. 1.20 North East News. 2.25 Power Without Glory. 3.35 [illegible] 5.15 Cartoon Time. 5.20 Berry's Lot. 6.00 Northern Life. [illegible] 11.00 Law Centre. 12.00 Epilogue.

ULSTER

10.20 am Lost Islands. 10.40 You Can Make It. 11.05 Magic Circle. 11.30 Rogues Rock. 12.30 pm The Open Air. 1.20 Lunchtime. 2.25 Matinee: "The Long Duel." 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 [illegible] University Challenge. 6.00 Ulster Television News. [illegible] Fireside Theatre. [illegible] Bedtime.

WESTWARD

10.20 am Sesame Street. 11.20 You Can Make It. 11.05 Magic Circle. 11.30 Rogue's Rock. 12.30 pm The Shape of Things. 1.20 Westward News Headlines. 2.25 Matinee: "Separate Tables." 5.15 University Challenge. 6.00 Westward Diary. 6.25 Westward Sports Desk. 10.28 Westward News. 10.30 Encounter. 11.00 Movie: "The Black Torment." 12.30 am Faith for Life.

YORKSHIRE

10.20 am Power Without Glory. 11.20 Clue Club. 11.35 Wildlife Cinema. 12.30 pm Farming Outlook. 1.20 Calendar News. 2.25 Matinee: "The Window." 5.15 Cartoon Time. 5.20 Berry's Lot. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Lifestyle. 11.00 Law Centre.

RADIO 1 247m

(S) Stereophonic broadcast
† Medium wave only

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2, including 1.55 pm Good Listening. 10.00 With Radio 1. 12.00-2.02 am With Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Richard Vaughan (S) with The Early Show (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. [illegible] 7.30 Sports Desk. 7.33 Northern Radio Orchestra (S). 8.02 The Big Band Sound (S). 8.45 Humphrey Lyttelton (S). 9.55 Sports Desk. 10.02 Town and Country Quiz. 10.30 Star Sound. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 464m, Stereo & VHF

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Thomas Morley (S). 9.35 Quartet and Piano, Part 1: Beethoven, Ravel (S). 10.20 Interval Reading. [illegible] Part 2: Dvorak. [illegible] BBC Scottish National Orchestra, Part 1: [illegible] (S). 1.00 News. [illegible]

RADIO 4 434m, 330m, 285m and VHF

6.00 am News. 6.10 Farming Week. 6.30 Today. [illegible] 9.00 News. 9.05 Start The Week with Desmond Wilcox. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. [illegible]

BBC Radio London 206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 7.00 From The Original Soundtrack. 7.30 Black Londoners. 8.30 Breakthrough. 10.00 [illegible] Alternative [illegible] 12.00 As Radio 2. 12.05 am Question Time. 1.05 Close: As Radio 2.

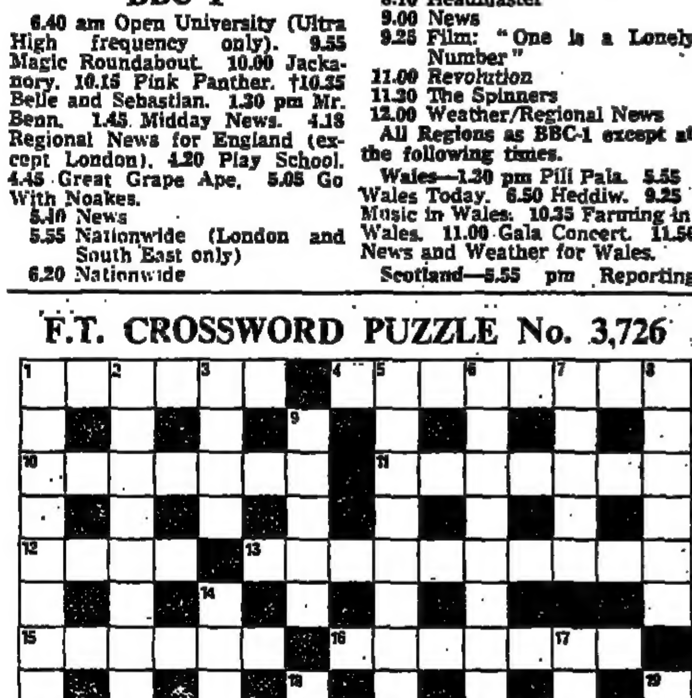
London Broadcasting 261m and 97.3 VHF

5.00 am Morning Music. 6.00 AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports. 8.00 After Eight with Ian Gilchrist. 9.00 Nightline with Monty Modlyn. 1.00 am Night Extra with Allan King.

Capital Radio 194m and 95.8 VHF

5.00 am Peter Young's Nightflight (S). 6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Mike Allen's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,726



ACROSS

1 Put signal letter in aircraft for coat (6)
4 Poor pals come round with an offer (8)
10 His love is not a red, red rose (7)
11 The Maid takes in the leader to one from outer space (7)
12 Rock—it sounds difficult to *get one's teeth into it* (4)
13 Engage an author if you want your name in large letters (4-6)
15 Luxury, possibly quadrifoliate (6)
16 "Tomorrow to fresh woods and — new" (Milton) (7)
20 Noisy on the beach and in the kitchen (7)
21 Sturdy vehicle among the rubbish (6)
24 The planet of illusions (5, 5)
26 Its inmate regretted that she had not his advice on family planning (4)
27 Infested, finished with the series (7)
28 Proposition put before a young lady (7)
30 Amounted to a strange tale told (8)
31 Heavenly bodies encountered in companies (6)

DOWN

1 A brief moment of happiness controls your flight (8)
2 Sounds like blue blossom, but is ground cereal (9)
3 The priest gets a name for lamb (4)
5 Lex, to put it in one word (5, 5)
6 Dictator, includes proportion in his summing up (10)
7 A set task brings money into the street (5)
8 They are like the cat who walked by himself (6)
9 There is room for an ancient language (5)
14 Russian officer takes to flight (3, 7)
17 Harrowing experience for the poor golfer (5, 4)
18 Accuse the light-weight understudy (8)
19 Emphasises the tensions (8)
22 A legal right to be dexterous (6)
23 Impertinence aboard results in errors (5)
25 Standing for the build up (5)
27 She must have found her lover rather wet—but clearly a brave man (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Spoleto comes of age

by WILLIAM WEAVER

Last year the 20th anniversary of the founding of the Festival of Two Worlds was celebrated here with great publicity, ample television coverage, publications, speeches. This year, as the Festival enters its majority, the atmosphere is calmer, even sedate. The programme is long and immense—as many as eight events in a single day—but, on closer examination, it seems pretty much the mixture as before: a crammed calendar of music, ballet, theatre, designed more to please than to shock.

Nevertheless, the production of Rossini's *Cenerentola* which inaugurated the festival managed to shock a number of Italian critics and with some reason. This was very much a producer's *Cenerentola*, as Jean-Marie Simon—whose work has often been seen in Spoleto—chose to view the Ferretti libretto from a special, downright perverse angle. No "melodrama giocoso" this. For Simon the story of the poor step-child prefigures Brecht and this Cenerentola is a conscious, rebellious member of the oppressed working class, not in some fairy-tale time but in the Napoleonic (and Rossinian) era. In the first act, this approach—seconded by Simon's own handsome, versatile sets and the appropriate costumes by Claudie Gastine—seemed *fruitful*; its brilliant invention almost justified its perversity. But as the opera progresses, the invention flags; and the finale is, quite simply, not acceptable. Simon has taken Cenerentola's triumphant, joyous rondo and turned it into a lugubrious mad scene. *The schizoid proletarian casts* off her crown and in the end sinks—fainting? dead?—into Alidoro's arms.

Musically, the production is of scant interest. The Spoleto Festival Orchestra (as usual, an *ad hoc* formation of young Americans, students or fresh graduates from conservatories) includes some good individual players, but there is no feeling of ensemble, string tone is thin and some instruments, notably the flute, sound unduly prominent under the vigorous but unfeeling direction of Sylvain Cambreling.

The production came from Lyons, and so presumably did the French members of the cast. Of the others, Benedetta Perchioli, in the title role, is promising. The voice is big, and the singer had to scale it down—sometimes losing tone—to negotiate the more tricky pages of the score. She may not really be a Cenerentola, but she is an interesting singer and an appealing actress.

Simon's *Cenerentola* is outrageous, but coherent and stimulating. There is an overall idea, however wrong-headed. The *Falstaff* staged by Giulio Chazalettes, Spoleto's other big new opera presentation, is wrong-headed but not stimulating. The producer seems bent chiefly on getting laughs at any price. For the most part the price is high and it is paid by Boito and Verdi. The cheap gags are numerous. In the first scene of Act Two, Falstaff throws an emptied bottle out of the window; a moment later Ford makes his entrance, rubbing his head. In the next scene, Falstaff enters Meg's living room carrying not flowers but an uprooted sapling, which then figures in the successive (and excessive) horseplay between the knight and the merry wife.

Chazalettes also introduces some pointless changes. Instead of a public room in the Garter, the setting of Act I, scene 1 and Act II, scene 1 is Falstaff's bedroom. There is no positive gain won by this departure from the libretto, and there is one distinct loss: when Sir John retires ("Vado a farmi bello"), he has to withdraw inexplicably into a kind of broom-closet, from which he then emerges in his elaborate finery.

At 38, the baritone Angelo Romero is not necessarily too young to play Verdi's last hero; and it is *pleasant* to hear Falstaff's music actually sung, and by a full, beautiful voice. But Romero—who, under other circumstances, can be a fine and intelligent actor—in this production is all at sea. One moment he seems bent with age, at the next he is actually diving headlong on to his bed. Most of the time, he prances and gesticulates generically, frequently with a bewildering effeminacy, the kind of non-acting usually found, alas, in revivals of 18th-century opera buffa.

Alberto Rinaldi's Ford is straightforward, traditional, effective. Of the rest of the cast, little need be said. Only Carmen Lavani, the Nannetta, is really enjoyable. Her Fenton, Pietro Bottazzo, a delightful tenore di grazia until a few years ago, now cannot produce homogeneous tone or long legato, and his acting has remained primitive: he is more bumpkin than swain.

Giuseppe Patanè gets a smoother sound from the young orchestra, but his tempi are brusque and none of the opera's subtlety survives. Lines like "Dalle due alle tre" fail to rouse a smile, and even "Quand'ero paggio" is turned into a gibberish patter-song. Ulisse Santicchi's sets and costumes are lovely, but they cannot, alone, salvage this presentation.

Clever Gian Carlo Menotti. While other producers vie in their determination to make their work visible, dominant, he stages two brief operas of his own in an admirably unobtrusive, tactful, helpful fashion. In the stark (somewhat over-restored) romanesque interior of the church of Santa Eufemia, *Martin's Lie* and *The Egg* are being given in fluent new Italian translations by the composer himself.

Written for church performance, both pieces are engaging and direct. The children's chorus of Trieste prepared by Edda Calvano is particularly admirable in *Martin's Lie*, and the two boy soloists Sean Coogan (Martin) and André Hardmon (his friend Christopher) are sweet singers and touching actors. The grown-ups also perform well both in this work and in the more taxing *The Egg*. Here Anastasios Vrenios (as Saint Simon Stylites) and Esther Hinds (the Basilessa) stand out.

Joseph Flumerfelt coaxes gentle, sober playing from a reduced orchestra and vibrant song from his Westminster Choir. Antonio Fioretto created the few scenic elements required (including a dazling throne for the second work), and Constance Mellen designed the costumes: simple for *Martin's Lie*, sumptuous and elegant for *The Egg*.

As so often happens in Spoleto, some of the less-touted events proved the most successful. I will discuss them in a second report.

Benedetta Pecchioli in 'Cenerentola'

Round House

Ballet Rambert

by ANDREW PORTER

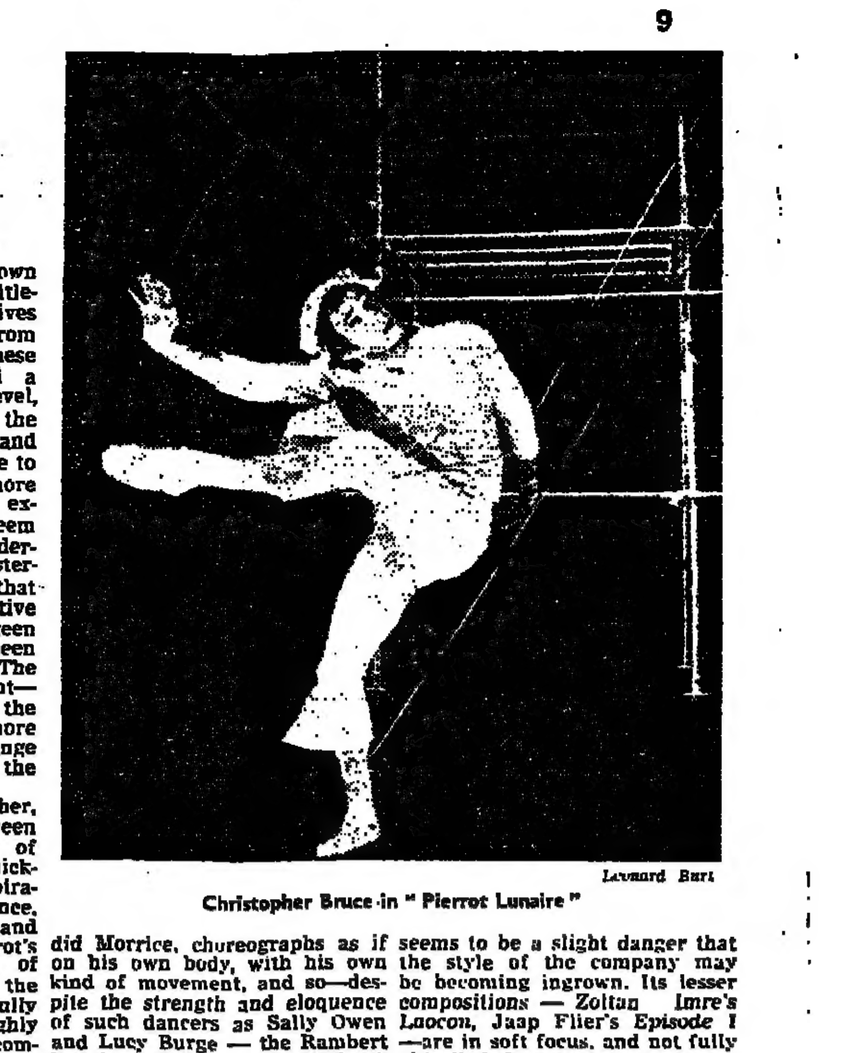
It was an odd experience to come back to Ballet Rambert after long years away, and to discover the familiar, well-loved instantly recognisable ensemble with a largely new personnel and a largely new repertory. What follows is in effect an outsider's view of a company whose choreographers, dancers, and achievements I once used to follow and chronicle in detail.

The Round House season just ended has been one of consolidation, without creations. The star dancer, as he was ten years ago, has been Christopher Bruce, and his own works have dominated the programmes: a week of the full-length *Cruel Garden*; *For those who die as cattle* and *Black Angels* in the second bill; *Wings* to close the third. Norman Morrice, Bruce's predecessor in the long line of Rambert choreographers, had his roots in Rambert's classical days; Bruce's are in the modern-dance company that Rambert became in 1966—and specifically in the Glen Tetley ballets that Morrice then brought to the company. Tetley's vocabulary of movement now seems to have become the basis of the company's habitual language. The "classics" of the Round House season were his *Pierrot Lunaire*, which Rambert acquired in 1967, and *Embrace Tiger and Return to Mountain*, which he composed for them the following year. And most of the other works seen bore some relation to them.

Bruce, however, himself one of the finest Tetley interpreters, has been using and developing the Tetley vocabulary to make his own statements, to shape his own visions. So today in the title-role of *Pierrot Lunaire* he gives a different performance from the one I reviewed in these pages ten years ago—and a deeper one. On the simplest level, his movement no longer has the youthful, animal grace and allure that used to lend lustre to everything he did. On a more complicated one, his own explorations, his own ballets, seem to have deepened his understanding of Tetley's early masterpiece. An interpretation that once appeared almost instinctive is now charged with quick, keen intensity. Every detail has been pondered, tested, polished. The "meaning" of each movement—both in the musical and the dance sense of the word—is more specific. The emotional range travelled is greater, and the romance even more vivid.

Poet, composer, choreographer, and protagonist have between them distilled a dream of Pierrot, through the ages a quicksilver symbol of yearning, aspiration, sudden gaiety, innocence, disappointment, hope and wonder. Sometimes Pierrot's accents seem to be those of Mignon, and sometimes of the Harper. The piece is carefully and intricately wrought, highly sophisticated, yet directly communicative. The Rambert performance is expert on all counts, with Lucy Burge as Columbine in her various incarnations, and Leigh Warren as the forceful Brighella. The music is admirably sung and played by Mary King and the Mercury Ensemble under Charles Darden.

Bruce, more consistently than did Morrice, choreographs as if on his own body, with his own kind of movement, and so—despite the strength and eloquence of such dancers as Sally Owen and Lucy Burge—the Rambert has become a more male-dominated ensemble than it used to be. Or so it seemed after these Round House programmes. There are episodes in Bruce's *Wings* that look like a commentary on Tetley's *Arena*—though the sharp human passions of that piece are replaced by a tenebrous poetry. To an outsider, there seems to be a slight danger that the style of the company may be becoming ingrown. Its lesser compositions—Zoltan Imre's *Laocon*, Jaap Flier's *Episode I*—are in soft focus, and not fully chiselled. One wants to see something hard, clear, precise and exacting. But that may be merely the reaction of someone from a city where Balanchine sets standards of clarity by which not just the other classical companies but also, by extension, the achievements of modern dance are judged.



Leonard Burt

Christopher Bruce in "Pierrot Lunaire"

Cologne

From Mozart to Henze

by ELIZABETH FORBES

Cologne City Opera finished the season with two cycles, one of Mozart's operas from *Idomeneo* to *Die Zauberflöte*, the other of New Music and Dance Theatre. The seven Mozart works, all of them in productions designed and directed by Jean-Pierre Ponnelle, were to have been conducted by John Pritchard and György Fischer; in the event, the latter withdrew because of back injury, and Pritchard was in charge of the majority of the performances. The very enjoyable *Così fan tutte* that I heard was remarkable for a particularly close rapport between conductor and orchestra, and for the singing of the female half of the cast. The voices of Margaret Price (Fiordiligi) and Yvonne Minton (Dorabella) blend exquisitely in duet, while Miss Price phrases her two arias with fierce but contained passion and an awesome technical mastery. Margaret Neville is the delightful Despina.

The operatic side of the New Music Cycle included *Wozzeck*, a double bill of *Bluebeard's Castle* and *Oedipus Rex* already noticed on these pages, and Henze's *Wir erreichen den Fluss*, staged by Cologne's intendant, Michael Hampe. This is the third production of *We Come to the River* that I have seen—the previous two being the Covent Garden creation, by the composer himself, and the Berlin Deutsche Oper version, directed by Volker Schöndorff—and in certain ways it succeeds better than either of the others in clarifying Edward Bond's Action for Music. John Gunter's set is neither as handsome as Jürgen Hanze's in London, nor as overwhelmingly impressive as Martin Rupprecht's in Berlin, but it frames and concentrates the simultaneously played scenes so that the spectator can sort his priorities without confusion.

Neither of the German theatres offers the striking—and intentional—contrast between Covent Garden's elegant 19th-century interior and the grim battlefield setting on stage; nor can they provide centre aisles through the stalls for the spectacular exit of the military band. But some scenes come across especially powerfully at Cologne; the shooting of the Old Woman as she tries to escape across the river by stepping stones is one; Second Soldier's visit to the General in the Mad House is another.

The opera is sung in Henze's own German translation; his version of Bond's text, though perfectly faithful to the original, in a curious way both modifies and strengthens it, so that the characters emerge with greater truth and individuality. The central figure of the General, above all, becomes more convincing; Victor Braun, equally believable as military hero and as suddenly converted pacifist, gives a performance that grows paradoxically stronger as the General's power wanes. Hugh Beresford is excellent as Second Soldier, the ordinary, decent fellow whom circumstances drive to martyrdom. David Kuebler (a lyrical Ferrando in *Così fan tutte*) is touching as the Deserter.

Sunday jazz at the Portman

The Avon Cities Jazz Band from Bristol will be playing at next Sunday's New Orleans Sunday Brunch at the Portman Hotel, London, W.1. The following Sunday altoist/clarinettist Bruce Turner will be appearing with his quartet.

Albert Hall/BBC 2/Radio 3

Verdi's Requiem

by RONALD CRICHTON

The new Prom season started on Friday with Verdi's Requiem conducted by Andrew Davis. The BBC Symphony Orchestra and Chorus were joined for the occasion by the London Symphony Chorus. A lot of voices; yet balance between choirs and orchestras was one of the evening's virtues. Rarely does so much of the orchestral detail in this score come through in this hall—at least, that was the happy impression from Block H.

It was a lightweight reading, not superficial but lively, sometimes to the point of briskness, missing some of the simple but profound terror in the face of death, but also missing the pomp and self-indulgence that more ambitious intentions sometimes bring with them. Brian Wright and Richard Hickox, trainers of the respective choirs, had ensured quick response from their singers—the coarse tone of some of the choral basses entries was perhaps a kind of chemical accident. The sopranos hit their high notes in the Sanctus too low but made amends in "Libera me."

The soloists with one exception were British. The Hungarian soprano, Sylvia Sass, has made a rapid reputation. Her Desdemona for Scottish Opera and her Giselda in Verdi's *Lombardi* for Covent Garden both revealed a lyric soprano with a touch of brilliance, a degree of poise and finish unusual in a young singer; also a tiny suspicion of effect for effect's sake. On Friday the good qualities were uppermost: plenty of poise and brilliance but gentle brilliance, with limpid high notes that carried easily. Sometimes Miss Sass cut a long note short too abruptly, and (for this hall at least) she misjudged the opening of "Libera me," which became a gabble.

Alfreda Hodgson's downright conviction and presence in the mezzo solos made it easy to forget that the voice is not opulent in the Italianate way. *In the tenor's music*, Stuart Burrows seemed anxious about projection (hardly a matter to worry a singer with such fine tone-quality) so that "Hostias" was a little constrained. Gwynne Howell, as we all know by now, has one of the finest bass voices of the day, yet he uses it in a surprisingly mild way for the eternal mysteries—not a question of singing louder but of communicating mean more vividly. A clear and cogent presentation of the great work—an excellent introduction to the presumably large number of viewers and listeners hearing it for the first time.

All change in Budapest

by FRANK LIPSIUS

In the closing days of the theatre season, a well-kept secret was announced in a televised ceremony: the National Theatre of Hungary would have new leadership and a new staff after 20 years of Endre Marton's control. He had been head of the the theatre for seven years, its chief director for 17 years before that, and on its staff for a total of 30 years.

In the attempt to make a smooth transition, Marton was required to preside over a televised announcement, together with his successors and Government officials. It was considered a humiliating exercise, for which the television company later apologised.

The need for a change in the theatre, however, had long been recognised. The National Theatre, at one time even promised a new home, never got it, and instead had to make do with a tired repertory in an aging theatre out of the way in a residential area of central Budapest. Apparently, a search had long been underway for a new leader but there were few takers: the National is obliged to put on classic Hungarian works. They tend to date from the middle of the nineteenth century, when nationalism was associated with happy peasants singing and dancing in national costume.

To accomplish its aim, the theatre took the unusual step of appointing a head from outside the pool of excellent Budapest directors—and outside the active theatre world altogether. They chose Peter Nagy, a professor of literature who emphasised the need for change by saying on television that he had not recently been to the National at all. In addition, two young directors, Gabor Szekely and Gabor Zsambeki were brought to the National from provincial theatres where they had made names for themselves. Each brings with him actors from his own company, a move that inflates the size of the National company and, some anticipate, lays the seeds of future problems.

The plays announced for next season give evidence of the haste of the decision, for Zsambeki will put on a successful production of his from a few years back, Arnold Wesker's *The Kitchen*. In addition, there will be *Julius Caesar*, Gorky's *The Lower Depths*, and Kafka's *The Trial* in Weiss's adaptation, among a repertoire that needs some filling out. Another young director from the provinces has taken over a theatre complex in the Buda Castle. This follows a long period when provincial directors made periodic visits to Budapest—one of them earlier this year caused riots in attempts to get tickets. It was a new production of a musical from the early 1950s, *The State Department Store*, which without a word being changed, mocked the excesses that the original play thought it was so firmly expounding. Now the provincial directors have come to Budapest to stay.

Even with the theatres closed, the crowded streets of Budapest offer a large variety of films, the most popular of which advertise familiar names like Belmondo and Bronson. It is a native joke with unfamiliar self-deprecation that cashiers warn customers when a Hungarian movie is on, lest there be a flood of complaints (while tickets for one cinema I went to cost Sp a piece).

So interesting Hungarian films are easy to find and easy to get into. The one exception I found was a documentary made by Domokos Moldovan about a seer who is visited by the dead in a northern Hungarian village. Playing only in the afternoon in one Budapest movie house, it was constantly sold out and had attracted something of a cult following.

The film is but one of a large number of documentaries or semi-documentaries which use non-professional actors in only partially scripted films. The technique has been used for a variety of subjects, evoking scenes of humour, pathos and protest as well as the standard fare of documentary exposition. *Photography*, directed by Pal Zolnay, has two young photographers travel the Hungarian countryside looking for likely subjects. They offer their work to peasants who are more happy to *discuss* their lives with the interested young men than they are to accept the photographs without being touched up to make them look better. The peasants' stories are true, including the one of the old woman whose husband killed their daughter. The film ends far from the countryside in an aerial view of Parliament in Budapest emphasising the distance between their concerns and its solutions.

In quite a different mood, Istvan Darday made *Holiday in Britain*, the story of the search for a young musician in the Hungarian provinces. He will be part of a band going to Britain for a month, and the desirability of the prize elicits scores of applicants, playing anything from home-made whistles to tubas. The winning applicant must also of course exhibit the proper social graces of good conduct and participation in Young Pioneer activities: youth leaders participate in the search, which eventually turns up a young guitar player in a village rock group.

He has all the requisite qualifications, but his peasant parents are not sure they want him to go. The film spends a good bit of time exploring their fears and prejudices, the influence of their neighbours and the attempt of officials to make them see the advantages to the boy of the opportunity. They fail, and the boy is forced to stay at home, while another little girl is quickly recruited to join the band playing its own send-off at the airport. The misguided effort to do something for the boy's own good combined with the original, artificial criteria for selecting him make a serious political point through humour—and amateur acting.

A blunter and more controversial political point is made in the documentary about the life of the Hungarian decathalon Olympic champion, Andras Balczo. A hero to most Hungarians, Balczo made *The Portrait of a Champion* with director Ferenc Kosa, who grew up in the same village as the athlete.

Wigmore Hall

Shirley-Quirk

John Shirley-Quirk's recital last night with Martin Isepp in the Wigmore Summer Festival had, as the singer himself pointed out, a Quixotic framework. He began with Britten's realisation of Purcell's "Let the dreadful engines of eternal will" written for D'Urfey's *Comical History of Don Quixote*. He ended with two groups of verses by Paul Morand for the Pabst *Don Quixote* film with Shalyapin and George Robey.

Is it Quixotic to find a link between Schumann and Butterworth who provided the meat in the programme? Not entirely. Butterworth, killed young and full of promise, was an English representative of the line of romantic song-writers deriving largely from Schumann. Certainly there is a link between their respective poets, Heine and Housman, both lyrical, concise, intense, marvellous at placing words, both with flashes of searing irony.

The Purcell, virtually a solo cantata with contrasting moods, was fetchingly done. In Schumann one noticed stretches of excellent singing slightly marred by loud sustained notes that went thick, furry and rather hard—the voice is so malleable, so effective in this hall on what one might call musical conversation level that there seems to be no need to press. This didn't prevent much pleasure from the lapidary "Lieb' Liebchen" and "Anfangs wollt' ich fast Verzagen" as well as the more extended "Schöne Weige."

The Butterworth group from *A Shropshire Lad* made one, not for the first time, regret his disappearance. The songs are unequal, with patches of anonymous pastoral. But there are longer patches—the central section of "Bredon Hill," "O fair enough" and "With me my heart is laden"—where an obstinate determination to be his uncomfortable self pokes through. Without losing the essence of the poems Butterworth firmly pushes his horizon beyond Shropshire.

Just for once, it was worth hearing Ibert's as well as Ravel's *Don Quichotte* songs—there was a muddle: both composers were invited to write for the film, Ravel withdrew but published three songs separately. But this is a once-off idea: Ibert's are better than most songs for films but only the last of the four has any life now. Ravel's, using the same Spanish idiom with incomparably more point, seemed to grow better and better. Mr. Shirley-Quirk, whose French is fluent, did them admirably, particularly the moving "Chanson épique" which is the finest of the three.

RONALD CRICHTON

Thomson Smillie appointed manager of Boston Opera

Lazzlo J. Bonis, president of the Opera Company of Boston has announced that Thomson Smillie, at present director of public relations for Scottish Opera and artistic director of Wexford Festival, will become manager of the Opera Company of Boston with effect from August 15 next.

Mr. Smillie has been involved with Scottish Opera since the beginnings of the company in 1962 and has worked full-time with Scottish Opera since 1968. Since 1973 he has been artistic director of the Wexford Festival

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A monopoly to be broken up

THERE WERE two related themes in the report produced a year ago by the Post Office review committee headed by Sir Charles Carter. The Post Office, as at present constituted, was too big, too centralised, and too cumbersome in its decision making; and there was a need to make managers through the organisation more entrepreneurial and more responsive to the needs of the market. The problem the committee faced, however, was that of seeing where the pressures to improve efficiency and the quality of services could come from in a business in which a very high proportion of the activities was covered by statutory monopolies. In the absence of competition, the pressures would have to be generated partly from within, and partly as the result of certain organisational changes.

Differences

The most notable of these was the proposal to split the Post Office into two wholly distinct businesses, one comprising the postal service which would retain the Giro and remittance services as a separate subsidiary with its own accounts, and the other comprising the telecommunications business, together with the data-processing service. The idea was not entirely new: it had strong support within the Post Office itself and was backed by some, though not all, of the Post Office trade unions.

In the Carter committee's view, the case for separation rested on two grounds. One was the fundamental, and widely recognised, differences between the two businesses. The postal service is labour-intensive with a relatively low demand for capital investment and has had in recent years a static or declining volume of business, while the telecommunications business is highly capital-intensive and is entering a period of rapid and far-reaching technological change. The efficient operation of each business thus depended on quite different factors. At the same time the overloading of the present single Board had, the committee concluded, inhibited sound strategic thinking. This responsibility, it suggested, should be taken over by a new advisory council which, besides assisting the Secretary of State in policy making, would help him to monitor efficiency.

The Government has now decided to reject the idea of a council and to defer the question of splitting the Post Office. The first decision seems sensible enough. Like the earlier NEDO proposal for a series of policy councils for each nationalised industry, it would add a further undesirable tier of decision making. And, if there is a need to develop long-term communications strategies, then this is a task that should be undertaken by the Government as now happens in, for example, energy and transport.

Deferring the separation of the postal and telecommunications businesses is another matter. The Government said in last Friday's White Paper that it would prefer not to take such a far-reaching decision until it had had a chance to assess both the considerable devolution of managerial responsibility and accountability which the new chairman of the Post Office, Sir William Barlow, is now implementing and the two-year experiment in worker directors on the Post Office Board.

Attention

One would have thought that separating the two businesses at Board level would assist the aim of delegating responsibility, while the prospect of trade unionists and managers co-operating in policy-making would seem to strengthen the case for requiring greater accountability. The Government may be pushing ahead with the adoption of performance indicators and international comparisons, and it may have set cost reduction objectives in order to focus attention on the need for cost minimisation as well as profit maximisation. But, as the postal and telecommunications services are to a significant extent in competition with each other, it would be a pity to rely wholly upon substitutes for market competition when there would appear to be an opportunity to create a little more of the real thing.

Latin America and the vote

THE NEWS from Bolivia in the past few days has underlined the difficulties which often surround the process of holding elections in Latin America and of achieving progress towards a democratic government in that region. Convincing evidence was brought forward by a number of reputable foreign observers that the voting in Bolivia on July 9 was disfigured by various malpractices aimed at securing victory for General Juan Pereda, the candidate of the armed forces. That something serious was amiss was confirmed by the fact that the national electoral court reported that 50,000 more votes were cast than there were electors on the register.

The court's decision to scrap the elections and call new ones has nevertheless been impugned by some soldiers and some civilian politicians who have now succeeded in making General Pereda president despite the manifest fraud.

Amnesty

Last month the elections for a constituent assembly in Peru ran into difficulties when some of the candidates were sent off into exile, though the voting and the counting of ballots appears to have been carried out scrupulously and the Peruvian military government has since declared a political amnesty. In May elections were held in the Dominican Republic and after the voting the army moved into halt the count when it appeared that Sr Antonio Guzman, a politician of the centre, was putting up a strong challenge to President Joaquin Balaguer who has been in power in that country for more than a decade. After a great deal of political tension Sr Guzman has been confirmed as the winner but there were times in recent months when it seemed that force was going to prevail over the electoral process.

In Paraguay, where the rights of the opposition are severely circumscribed, General Alfredo Stroessner has recently gained another period in power thanks to a change in the constitution which has allowed him to keep a hold on the presidency.

The countries where elections have gone relatively smoothly are in the minority. In Costa Rica the poll was fair and honest and earlier this year the conservatives ousted the middle of the road government of President Daniel Oduber without there being any question of malpractice. The poll in Colombia was a free one and there again a conservative won, the only disappointing factor being the large proportion of the population which abstained from going to the poll. In Ecuador earlier this month elections were carried out cleanly while in December there is every expectation that the Venezuelan voting will be free and fair. In much of the rest of Latin America, however, the chances of the population being able to express their opinion about who rules them and ensuring that their choice of candidate is not robbed of victory are problematical.

In some countries there is a show of democracy but behind this is little of substance. In other countries there are governments which admit they are ruling dictatorially but claim to be moving forward to some democratic system which will be introduced when they best think fit.

U.S. interest

In the past the region has never been outstanding for its respect for the rule of law and therefore the present patchy political situation will surprise no one.

What is new in the situation however is the active interest of the U.S. in changing the political climate in Latin America. With President Carter unambiguously wedded to the idea of criticising the Soviets for the shortcomings in their system it is vital for Washington to be seen to be doing its best to ensure that democracy has a fair chance in a region where the word of the State Department counts for so much. Often quietly, sometimes publicly, the Carter Administration has been encouraging the forces of democratic moderation to talk and act against the undemocratic rulers who only a few years ago seemed to have the field almost to themselves in Latin America.

Why Raleigh is still riding a winner

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

FOR THE cyclists racing across the finishing line in the Champs Elysees, Paris, yesterday, the final stage of the 1978 Tour de France was the climax to three weeks of gruelling riding which had taken them from Holland through Belgium, France and the Pyrenees. For T. I. Raleigh, who won the team points prize, and whose rider Gerrie Knetemann won the final stage. It marked another business success which should help to safeguard the jobs of more than 8,000 UK workers employed by the Nottingham based company.

Sponsorship of a Tour de France team is the spearhead of a marketing campaign which has seen the company make a dramatic break into European markets: sales, currently running at 220,000 cycles a year, are expected to more than double by 1981.

Raleigh, which produces 4m cycles a year—around 10 per cent of total free world sales—claims to be "the world's largest manufacturer and exporter of cycles and components." How, when Britain's motorcycle industry has collapsed and the car industry is coming under increasing pressure, has this traditional industry maintained its position?

WORLD CYCLE MARKETS FOR 1978 (estimate)	m. units
North America	9.0
Latin America	3.2
EEC	8.2
Rest of W. Europe	2.6
USSR and E. Europe	6.0
China	6.0
Far East	9.0
Africa	1.2
Australasia	0.4
Middle East	0.5
Total	46.1

Mr. Ian Phillipps, Chairman and managing director of T. I. Raleigh Industries suggests that the company's history has been its strength. "Within the first 10 years of this century Raleigh was serving world markets and was big enough early enough to supply all its own components." Such vertical integration distinguishes the company from other large manufacturers which, as in the car industry, tend to be assemblers of bought in components.

Total control of the product enabled the company to place emphasis upon quality and develop a brand identity—two factors still central to management philosophy. As trade followed the flag, Raleigh quickly established itself throughout the Commonwealth. In Nigeria, for example, the bicycle is still known as "Raleigh" in much the same way that vacuum cleaners in the UK are known as Hoover.

Expansion continued into the 1950s but, as developing countries such as India and Malaysia began to industrialise, Raleigh increasingly had either to manufacture locally or grant licences. In 1960, following a recession in the industry caused partly by the trend from cycling to the motor car, Raleigh merged with its chief rival the British Cycle Corporation owned by Tube Investments.

Rationalisation of the UK industry proceeded and attention was turned to North America as the growth market. The take-off came in the early 1970s when cycling in the U.S. became a leisure and health craze. Sales more than doubled to 15m in 1973. But within 12 months the boom had collapsed, and sales slumped back to 6.5m. Production and new capacity stimulated by the U.S. demand now had to find new markets and the UK for the first time came under real pressure from imports. By 1976 foreign cycles had captured 20 per cent of the 1m domestic sales—just a few years earlier imports had been negligible.

The UK industry fought back last year to contain imports to around 15 per cent of the market and it is hoped that foreign bikes will not increase their share of sales which in the current 12 months are expected to be more than 1m. Raleigh is the dominant company taking around 60 per cent of the market with another dozen or so UK firms accounting for a further 25 per cent.

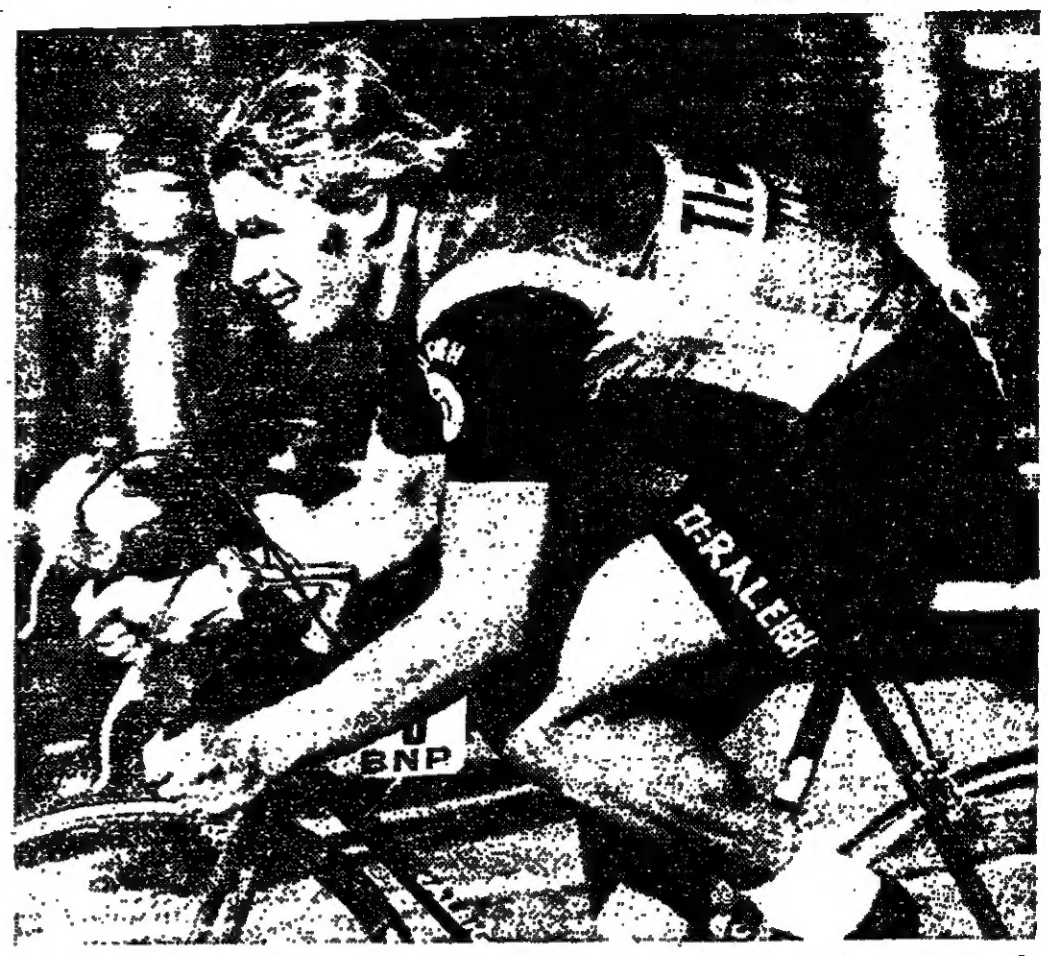
Raleigh is different from most of the world's large scale manufacturers of cycles in that around 60 per cent of the UK output is exported. Elsewhere manufacturers tend to supply the domestic market and not look overseas. For example Murray and Huffman, two U.S. companies with an annual output of around 3m cycles, export very little. Japan is an exporter but has so far concentrated its attention mainly upon North America.

The repercussions in world markets set off by the collapse of U.S. demand in 1974 had an obvious impact on Raleigh with its international activities. The company supplies 130 countries from its 11 factories around the world, in addition to minority interests and licensing arrangements.

The company was cushioned against enforcing redundancies at its main 64 acre Nottingham plant by the rapid upturn in demand from Nigeria. Raleigh had supplied the market for 50 years but in 1975 it established a manufacturing plant which required specialist supplies from the UK. Nevertheless there was need for a more fundamental appraisal of company policy. The analysis led to the decision to attack European markets and the marketing tool chosen was the formation of a racing team good enough to win the Tour de France.

Management took the view that Raleigh's cycle activities fell logically into two broad categories: the relatively labour intensive frame-making and assembly, and the capital intensive component manufacture. The trend among developing nations is to set up facilities for the first activity as quickly as possible: for the second, they tend to lack not only the technology and the skills, but also the volume production to justify the investment.

To underline the differences, a company reorganisation saw the creation of two new subsidiaries: T. I. Raleigh with responsibility for cycles and T. I. Sturmey-Archer charged with stepping up component supply activities. Each subsidiary has a separate board and financial targets and is answerable to the T. I. Raleigh Industries holding company.



Hennie Kuiper—the Dutch captain of the T.I. Raleigh team. Last year he came second in the Tour de France but this year he retired through injury. Raleigh's team has cost the company less than £1m since it was formed in 1974.

Unlike Sturmey-Archer which already had a strong presence in Europe, T. I. Raleigh's real strength tended to be in Commonwealth and U.S. markets. However, against the background of the high labour input and the cost of transporting frames, the Continent offers three distinct advantages over many other world markets. It is near, Britain's wages tend to be lower than those of her more prosperous European neighbours and the EEC provides the protection of a common external tariff.

Increased sales on the Continent give a wider spread of interests and greater security against a downturn in any one market. But the logic of the case for putting emphasis upon Europe does not mean that Raleigh will relax efforts in other markets. Demand from Third World countries is likely to continue to grow as population and incomes rise. Even where local assembly facilities are established there is a continuing requirement for kits and the more sophisticated components.

But real hopes for growth lie with Sturmey-Archer. The company—manufacturing a whole range of components including gears, hubs, lights and saddles—currently supplies about 70 per cent of its output to Raleigh. The aim is rapidly to reduce that dependence not by cutting sales to Raleigh but by increasing sales to competing cycle manufacturers. For Sturmey-Archer to concentrate on supply to its sister company would be to confine its marketing to only 10 per cent of the world cycle trade. Facilities can now be offered to a Raleigh rival, such as Peugeot, for example to develop a component specific to French cycles.

Sturmey-Archer is unusual in the spread of components it offers. In Europe companies tend to specialise in particular items: Union of West Germany, for example specialises in pedals. Of the few companies that approach Sturmey-Archer in size of cycle component business two are Japanese, Schimano and Maeda. Sturmey-Archer is now making determined efforts to break into the Japanese cycle industry which has capacity to build around 8m units a year. The first success was achieved this year with an order for three-speed hubs.

Though the components company is anxious to assert its independence of T. I. Raleigh, it naturally benefits from the publicity surrounding the racing team. The cost of the team since it was formed in 1974 to compete in Europe's top races has been less than £1m. And nobody within Raleigh would argue that it has not been money well spent. Last year they lifted the team prize in the Tour de France, an achievement that has spread the name of Raleigh throughout Europe and, according to Mr. Ken Collins, the U.K. and Europe marketing director, increased sales on the Continent by 30 per cent.

"The enthusiasm of the continentals for cycle racing, particularly in France and Belgium, is difficult for the British to understand," Mr. Collins says. "But an estimated 160m television viewers each night follow progress in the Tour de France."

In France, where Raleigh only began to market in earnest in 1976, sales rose to 14,000 last year and the number of dealers mushroomed from 250 to 600 in the wake of the Tour success. This year 25,000 bikes should be sold. Having established its presence in one of Europe's biggest markets—sales are running at around 1.75m a year—Raleigh hopes to continue to expand and eventually establish manufacturing facilities in a country were Peugeot and Motobecane, the two major French companies, currently dominate what is a sophisticated cycle market.

In Belgium, Raleigh sales have doubled over the past three years to 32,000 and the company now claims about 18 per cent of the market. But the spin off from the Tour success has been much wider. Mr. Collins recounts how Raleigh was approached last September by Fria, a Norwegian ski-manufacturing company. "Their trade tends to be seasonal and, rather than have salesmen idle, they decided to promote cycles in the sports shops. They came to us because of the success of our team." Raleigh sold only 400 bikes in Norway last year but expects to sell 5,500 this year.

In spite of the careful inclusion of a West German rider in its team, Raleigh has so far made little impact in a country which buys around 3m bikes a year. The market tends to be dominated by the two German companies, Kynast and Kalkoff, which between them produce nearly 1.5m units. Raleigh, with its quality image, regards itself at something of a disadvantage in Germany where cycles tend to be cheaper and there is less brand identity as nearly 50 per cent of sales are through general outlets rather than specialist shops.

Italian test

But the real test for Raleigh and its marketing skills is seen in the Italian market. The company, which hopes to sell 6,000 bikes there this year, claims to be the first British manufacturer to break into the market. Initially, marketing will be concentrated upon the Milan district, but the objective is to sell throughout the country.

In each of the markets where Raleigh operates it tends to face different competition as the domestic manufacturers are usually strongly entrenched. Moreover, though estimated world sales of cycles are put at around 46m, many markets are effectively closed to British companies. The Soviet Union and Comecon countries have considerable capacity and provide a minor market for components which are re-exported in finished goods.

China is again a massive market but demand for Western cycles, which usually enter through Hong Kong, tends to be only sporadic. The Japanese industry dominates the Far East, with Taiwan and Korea emerging as assemblers.

Against such a background, it is understandable that Raleigh should have turned its attention increasingly to West European markets as the way to retain Britain's traditional position as the world's leading cycle manufacturer.

MEN AND MATTERS

Flaring at the Gas Board

My remark last week about Britons fuming as they wait for the North Thames Gas Board prompted an immediate and solicitous call from the Board's Press officer. "Are you thinking of a particular case?" Clive Thomas asked me.

Though many colleagues also complain of delays, I regaled Thomas with my six weeks' experiences. These began when builders knocked a wall down, leaving the gas meter disconnected in mid-corridor. A supply form then had to be signed and travel from department to department before a fitter could visit to prepare an estimate. Another week or so passed before his estimate had been prepared, despatched, signed, returned and sent by the Board to their engineers. Then the Board said ten days would be necessary before the parts could be delivered and another few days after that before the fitter would install them.

Those visits required being prepared to wait at home all day. The installers, in fact, came just after the time one takes children to school and I missed them. I was lucky enough to be given another fitting date 17 days later and again expected to be able to be at home all day.

With the Board's profits just reported at record levels, I asked Thomas what was planned to make customers more satisfied. He could not give any details but he assured me customer service was an area which would be tackled. He did not know how long ago the Board's drawn-out office procedures had been designed and claimed that it was "not universal" that one had to have two visits after accepting an estimate.

He thought that the Board specified whether visits would be in the morning or afternoon—which it had not. He suggested neighbours could keep the keys but admitted often many houses are empty in day time.

As for the delays, he said there was a heavy work load. I suggested a nationalised industry might use some of its profits to reduce unemployment, but Thomas said it is difficult to lay off staff when necessary so it is better not to employ them.

He said he would have to telephone me back about the Board's recruiting plans, though I would have to wait while he "turned some soil." The next evening I was still waiting. The Board teaches one patience.

Hard sell

Yesterday was a mixed day for the British motor industry. In BL, formerly British Leyland, there was concern at the leaking of the news that executives at British Petroleum are switching from BL's Rovers to Ford Granadas; BP had objected to BL's blacking of their new high-grade oil, VF 7. But Aston Martin was chuckling over a minor propaganda coup as they announced the first order from the Soviet Union.

This came from the correspondent, Victor Louis—a man known for his better-than-average connections with the KGB and who now wants to buy a £32,000 Lagonda.

Louis, whose Russian name is Vitaly Yevgenevich Lui and who is Moscow correspondent of London's Evening News, was first with the news of Krushchev's sacking and of Kosygin's meeting with Chou En-Lai.

But his own travels and life-style have created as much interest as his journalistic work. By normal Soviet standards he lives a life of luxury, with a Moscow flat and a country dacha where he entertains top Soviet officials.

Yet Louis has shown no worry about going to the stable which in fiction supplied James Bond with his specially converted cars. Nor is he against a capitalist device in sending Aston Martin a telex asking: "Do you make a special reduction for members of the international Press corps? . . ."

Aston Martin blandly replied that no one receives special terms and warned: "We think there would be too many problems. We have no dealers in Russia and he would have to ship the car back to Britain for its warranty service."

Mixed message

Comparing living costs around the world is a tricky business at the best of times. The data depends heavily on the judgment of those providing it and one man's "fashionable restaurant" can be another's near-poison.

Nevertheless, businessmen ask for such comparisons and the Confederation of British Industry has just obliged. The survey of living costs in 15 West European countries which it circulated this weekend is intended to be a guide to business men preparing to set up operations on the Continent.

But in public-relations terms, it has been only a mixed success. A correspondent for the Press Association going through the figures came to the conclusion that the British worker, eating his steak and chips in front of his colour television, could consider himself as well off as any in Europe.

It turns out that sport is particularly cheap in the UK, at least by European standards. A round of golf in Switzerland costs about £8—more than twice the cost at home. The entrance fee to a club near Zurich is over £5,000. Tennis is expensive, too. The annual subscription to a club near Milan is £356—nearly nine times the equivalent in Britain.

Hunger at the top

Connoisseurs of Bolivian politics, a small group of people who tend to develop a chill sense of humour to handle the vagaries of its public life, are predicting that 1978 will be a vintage year now that it has been officially announced that 50,000 more people voted than were registered on the electoral lists for the July 9 elections.

In more serious vein, they are likely to give five stars for the hunger-strike tactics of ex-President Hernan Siles Zuazo, the candidate supported by the left who was the main target of the patent electoral fraud.

The armed forces are now flexing their muscles to prevent the winner of the elections—whom the commanders back—from being ousted. But Zuazo is no novice to his uncomfortable form of protest. He carried out a hunger strike in 1975 against the policies of the government of the day. And another one in 1965.

That time he was President and wished to persuade the country to accept an austerity package—an example of "self-sacrifice" that few of Britain's Chancellors seem likely to emulate.

Military secret

An Army lieutenant tells me that when a middle-aged woman drove her Mini into the side of a camouflaged truck in which he was a passenger last week, he restrained his immediate reaction and said only: "Madam!. Didn't you see us?"

"See you?" said the woman. "I'm not supposed to, am I?"

Observer

FINANCIAL TIMES SURVEY

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Arab Banking and Finance

The Arab oil producers' surplus is growing more slowly than before because of rising imports and falling oil exports, while the debate on how to counteract the fall in the value of the dollar continues. However, the Arab financial system is rapidly gaining in sophistication.

Aims are within reach

By James Buxton

NEARLY FIVE years after the 1973-74 oil price explosion the scale of the Arab oil states' financial surplus is declining much more rapidly than most forecasters anticipated. But any reduction that this may mean in Arab influence on the World financial system is probably matched by the increasing role Arab financial institutions are playing in managing the region's funds.

The total external assets of OPEC states were estimated to stand at about $140bn-150bn at the middle of this year. The bulk of the surplus is held by the Arab members of OPEC, mainly by Saudi Arabia and Kuwait, which are believed to hold some $100-110 bn and are the only countries still adding substantially to that surplus.

Yet even these countries' contribution to the collective surplus appears to be declining. According to the Bank of England excess revenue of OPEC states available for investment abroad was down to $5.4bn in the first quarter of this year, compared with $11.7bn in the same period of last year. While the surplus grew by $33.8bn in 1977 (marginally less than the previous year) this year it is not expected to increase by more than $20-25bn.

This is because of both a drop in revenue and a rise in spending. On the revenue side oil output is down—it fell by 9 per cent in the first five months of this year compared with the equivalent period of 1977; price differentials have been cut to stimulate sales; and there has been no oil price increase since January 1977. In addition the drop in the value of the dollar has eroded the oil states' purchasing power by no less than 15 per cent, quite apart from the effect on inflation.

The major Arab oil exporters have cut their spending rates since the heady days of the inflationary boom of two to three years ago, and all have endured recession in varying degrees. But the expenditure and thus the imports of all such states have still risen, partly because of inflation but mainly because only now are larger scale development projects getting underway. This is the other main element eating into the invisible surpluses.

Saudi Arabia, with its very high oil production capacity, and until recently low absorptive capacity, has by far the highest accumulated assets of any oil state — put at between $70bn and $80bn. But its total spending has risen fast and in the last financial year probably came close to the budget allocation — although this was some way below total revenue. For the new financial year a much higher spending allocation has been agreed, so with the expected drop in revenue the Kingdom could spend a higher proportion of its income this year than ever before in this decade.

Kuwait, which had an accumulated surplus of $18.3bn at the end of 1976, budgeted for a surplus of only $2.6bn in the financial year which ended last month, compared with double that amount the previous year. Its domestic spending is making increasing demands on revenue, which has anyway been hit by reduced oil sales.

Borrowing

In the UAE Abu Dhabi had a surplus in 1977 of about $1bn — which should have brought the state's reserves up to between $5bn and $6bn — but this looks like being sharply reduced this year and may dwindle to nothing next year because of the growing demands both of the Emirate's own development programme and the rising absorptive capacity of the federation to which it contributes heavily. It plans to peg its development spending over the next three years (but at a level which has yet to be attained).

Even Qatar, the fourth and last so-called "chronic surplus state," could have difficulty balancing its budget this year and is borrowing to finance its bold industrialisation policy rather than dip into its relatively modest accumulated investment.

For the other major Arab oil exporters, which never looked likely to have a long term surplus, the same trends can be seen. Last year Libya and Iraq both managed to register significant increases in their foreign exchange reserves, but neither is expected to have a large surplus this year and each could be in deficit. Algeria only had a surplus for a short time in 1974 and is a heavy borrower.

Not surprisingly states like Algeria and Iraq, with their relatively large populations and considerable potential for development away from hydrocarbons, resent most the decline both in their oil revenues and in their value, and have taken the most militant line towards higher oil prices in OPEC, being defeated principally by the swing producer of the cartel, Saudi Arabia.

On the important issue of whether OPEC states can compensate themselves for the decline in the value of the dollar, a recent meeting in London of 30 OPEC experts concluded that the cartel could do so either by a straight price rise or by an index-linked increase, and it came to the conclusion that some increase would be possible despite market conditions. However, no decision was taken on calling an extraordinary ministerial conference of OPEC to act on the findings of the committee, and much depends on the attitude of Saudi Arabia and Iran, the two largest producers.

The surplus of the Arab oil states has proved easier for the world financial system to absorb than was initially thought, and an impressive proportion of it has been directed by the surplus states to international organisations such as the World Bank and IMF facilities. The Arab states have been highly generous with their aid disbursements, giving away about $15bn over the 1974-76 period and maintaining a similar level of munificence to this day. The bulk of this aid has gone to other Arab states, notably those confronting Israel; but other substantial sums have flowed to non-Arab African and Asian countries, both through national and multilateral aid funds. Within the Arab world aid has gone some way to evening out the great disparity in wealth between the very thinly populated chronic surplus states and more heavily populated but relatively poor states such as Egypt and Sudan.

Yet from the Arab point of view the significant fact is that the bulk of the surplus remains invested outside the Arab world and the first choice of both State and private investors is the Western and not the Arab world. Compared with the other regions of the world the degree of inter-Arab investment is highly impressive, but it makes up only a small proportion of the total surplus for reasons which include lack of management talent, the problems of identifying and getting projects going in the deficit countries and political risks.

Nevertheless, there have recently been moves towards remedying two of the more obvious deficiencies of the Arab financial world: the lack of any institution for providing balance of payments support to deficit countries in an orderly way, and the fact that even where Arab banks contribute to Eurocredits for other Arab institutions, Western financial concerns actually manage them. Naturally, the fact that Arab States rarely manage the credits for other parts of the world tends to rankle, too.

Over the past two years the Arab Monetary Fund has been established, based in Abu Dhabi, and is expected to provide its first balance of payments support facility to a deficit state in the next six months. The AMF has been compared with the IMF, but although its basic function is the same, the Arab institution offers a somewhat wider range of facilities to its members.

Watershed

However, the capital at its disposal is relatively small at this stage and it intends at some point to borrow commercially to obtain more funds; this fact is likely to restrict its generosity in lending and lead to its insisting that member states take tough economic measures in exchange for financial help. Nevertheless the AMF, through its ability to check that member states are pursuing sensible policies when in receipt of balance of payments support, should encourage states such as Saudi Arabia to disburse more balance of payments aid; the Kingdom has so far been constrained by the problem of monitoring how its subventions are spent and by the lack of any mechanism for regular disbursement.

In commercial financing a bond market has grown quickly in the region since the 1973-74 watershed, with Kuwait and Bahrain in the lead and local currencies being increasingly used. In the past few months a number of Gulf-based institutions have begun managing Eurocredits both for Arab and non-Arab borrowers, and, as western bankers have pointed out, the borrowers have in several cases obtained very good terms. The leaders of the new trend are the Gulf International Bank, in Bahrain, owned by eight regional states, the National Bank of Abu Dhabi, the Abu Dhabi Investment Company, and the Kuwait International Investment Company. These banks have been eating into territory partly occupied by the two Paris-based consortia, Union des Banques Arabes et Francaises and Banque Arabe et Internationale d'Investment. So far the loans arranged outside the Arab world have been for three East European states.

This new aggressive stance is a move in the direction indicated by Dr. Said Nabulsi, the Jordanian central bank governor, when he addressed his opposite numbers from Arab states a few weeks ago in Amman. He said that Arab countries should become the intermediaries in the international capital market instead of only the suppliers of capital. The central bankers were considering the establishment of a "permanent or standing syndicate" of Arab bank branches abroad and the consortia banks with Arab shareholdings. This he thought would be more effective than the present system of ad hoc co-operation on individual loan syndications.

The Arab central bankers envisage the creation of a united Arab capital market, and set up a six-man committee to look at ways of creating it, to consider such things as the provision of a favourable investment climate, the establishment of more stock exchanges and study of the need for more financial institutions such as joint investment companies or consortia banks. In its initial stages it would concentrate on providing capital for the Arab world and only later move to the stage of managing capital funding for the international financial market. The idea of a unified Arab currency is considered very much a distant prospect.

The meeting displayed considerable realism in accepting the problems of establishing a unified Arab capital market and in identifying the existing strengths of the Arab financial system that could be built on. But the fact remains that for the moment the Arab financial centres, for all their fast assimilation of new ideas, inevitably lack the depth of their western counterparts. The Arab world does not appear to have the absorptive capacity to cope with the more than a small portion of the funds available, while the providers of capital understandably want the best return, particularly at a time when their assets are being squeezed. But in the last few months the ultimate aims of the Arab policy have come to look far less utopian.

THE OIL SURPLUS

No alternative to the dollar

FOR THE Organisation of Petroleum Exporting Countries (OPEC), not the least its eight Arab members, the past year has been disconcerting. For the majority there has been no across-the-board price increase since the beginning of 1977, while many have had to scale down differentials in the face of slack market conditions. Having been almost stagnant last year, production during the first five months of 1978 was about 9 per cent down on the same period of the previous year.

On a trade-weighted basis the depreciation of the dollar would have meant a loss of purchasing power of no less than 15 per cent, quite apart from the erosion in the value of revenue per barrel from inflation. Steadily forecasts of the collective surplus have been scaled down. It is unlikely to be more than $25bn in 1978 and may be as little as $20bn, even if producers do raise prices before the end of the year to compensate for the depreciation of the dollar.

The downward trend can be seen from the latest estimates made by the Bank of England. They show the investible surplus of OPEC falling marginally from $35.8bn in 1976 to $33.8bn in 1977. Yet $21.2bn or nearly two-thirds of last year's surplus was generated in the first half of the year when the majority of the producers were enjoying the benefits of the 10 per cent increase in oil prices imposed at the beginning of 1977. For the first quarter of 1978 the Bank of England calculates that excess revenue available for investment abroad was down to $5.4bn compared with $11.7bn for the same period of the previous year.

Margin

Moreover, 80-90 per cent of that would be accounted for by Saudi Arabia and Kuwait. They alone this year can envisage a substantial excess margin of revenue for investment, although on a reduced scale compared with previous years. More than ever the OPEC surplus is an Arab one concentrated in the hands of Saudi Arabia and Kuwait, which will in the future be the only members generating a significant, endemic surplus. Currently, they are reckoned to account for $100-110bn of net external assets held by OPEC, which in total amount to an estimated $140-150bn in mid-1978.

Within the disjointed UAE federation Abu Dhabi seems unlikely to be able to add much, if anything, to its investment portfolio, while Dubai, saddled with a heavy debt-servicing burden, will have its petroleum revenues fully committed.

One of the minor producers within OPEC, Qatar nevertheless has also generally been regarded in the past as one of the constant surplus exporters in the long term. However, rather than dip into its modest accumulated investment the state has been borrowing from the international market to finance its big industrial projects and may have difficulty balancing its books during the current year.

Despite the squeeze of static output and declining purchasing power, Libya and Iraq both managed to register significant increases in their foreign exchange reserves as recorded by the International Monetary Fund in the course of 1977, but this year Iraq may have difficulty reaching equilibrium, while Libya's surplus may be drastically cut.

Only in 1974 in the wake of the threefold escalation of oil prices in the last quarter of the previous year was Algeria in the happy position of being a surplus producing state. Restricted in its oil production potential by declining reserves and still awaiting a return from the exploitation of its more abundant gas resources with the heavy investment required for their development, Algeria is moving more deeply into debt. Finding itself in the least comfortable position of any member of OPEC, it has been the most vociferous member in demanding compensation for its loss of purchasing power. In the first half of this year it borrowed $1.34bn out of the $6.62bn raised by OPEC members in the international market.

Rapid

No country has ever experienced such rapid enrichment as Saudi Arabia. By the middle of this year its accumulated assets would have exceeded $70bn and were perhaps as much as $80bn. These figures compare with combined gold and foreign exchange reserves of West Germany, Japan and the U.S. recorded by the International Monetary Fund in April, totalling $72bn. Earlier this summer Morgan Guaranty Trust in its World Financial Markets estimated that Saudi Arabia's cumulative unspent surplus on current account had reached $69bn by the end of 1977 and projected a total of $76.5bn for the end of 1978. Just a few weeks previously the Saudi Arabian Monetary Agency published what amounted to the first exact account of its foreign assets, giving in the process the first official explicit acknowledgment of what had been becoming increasingly apparent—the fact that since 1975 the kingdom's international liquidity as reported by the IMF bore less and less relation to its actual surplus wealth.

SAMA's report for 1977 (in effect covering the Hijri fiscal year 1396-7 ending on June 16 of Gregorian 1977) put gross foreign assets at its disposal as at December 21 1976 at 182.713 m Saudi riyals, the equivalent of $51.76bn at the then rate of exchange—but $53.11 bn at the rate following the most recent of the periodic adjustments made earlier this month (SR3.44=$1). At the old rate of exchange the breakdown was given as $25.04bn for bonds, $22.71bn in deposits with banks abroad, $3.28bn in convertible foreign exchange and $155m in gold. Included in the total would have been the Kingdom's substantial purchase of World Bank bonds and its contribution to the IMF's special oil facilities, but not its considerable concessionary aid, payments support for countries such as Egypt, or the disbursements of its own Saudi Development Fund, which have grown rapidly since then. Since 1973 Saudi Arabia disbursed no less than 5.2 per cent of its GDP in aid. The figure would also exclude the growing volume of private investment, which is, however, only a very small proportion of the Kingdom's net external assets as a whole.

Having recorded a 7.3 per cent increase in its oil exports in 1977, so far this year Saudi Arabia has borne the brunt of the overall drop in production. Generally, it has shown a surprising absorptive capacity and in 1977-78 will have spent 85-90 per cent, of its budget appropriations, according to preliminary estimates (though a considerably lower proportion of its revenue). As it is, *World Financial Markets* foresees its current account surplus falling from around $17bn in 1977 to something like $10bn in 1978. In the longer-term Morgan Guaranty Trust expects Saudi Arabia's export revenues to rise to about $47-48bn in 1980, but on the assumption of an import growth of 12 per cent annually in real terms predicts that the balance of trade on goods and services is likely to fall to around $1bn in 1980. While investment income, estimated at over $4bn for this year, will continue to rise, the rate of growth of Saudi Arabia's accumulated surplus undoubtedly will slow down.

Cautious

SAMA has pursued a cautious investment policy deploying its funds for the most part through some 50 approved banks. Some of the confusion about the Kingdom's reserves and allegations of deliberate concealment of their amount arises from the fact that the Agency's definition of liquidity is somewhat different from those normally used. In particular, Treasury bills an dother easily discountable securities, which might normally be classed as liquid assets, are regarded by SAMA as investments. It holds such enormous quantities that it would be unable to discount them on a significant scale without seriously disturbing the market.

A great deal of Saudi Arabia's concern for the dollar arises from the fact that, by necessity, the bulk of its funds must be in the dollar. "We are 80 per cent in dollars — where else would we put the money?" the Governor of SAMA has been quoted as saying recently. Beyond that there are other political considerations suggested by the report early this summer, which were not denied, that the Kingdom had committed itself to placing $5bn in France. Only a small proportion of assets controlled by SAMA are in the form of equities, of which it is believed to have ten portfolios, but recently it has been more active in diversifying its U.S. investments through private placements with U.S. companies.

Foreign assets accumulated by the Kuwait Government from its unspent revenues and invested abroad rose from the equivalent of rather less than $4bn at the end of 1973 to $18.3bn at the end of 1976 after aid disbursements. By the middle of this year the total controlled by the Ministry of Finance probably amounted to something approaching $30bn. Kuwait long predates Saudi Arabia as a surplus oil state and has for over two decades pursued a policy of building up a substantial financial reserve as an alternative source of income. At the end of 1976 it decided to place 50 per cent of the assets of the State General Reserve into a "Reserve Fund for Future Generations," to which 10 per cent of revenues is now allocated each year.

At the same time Kuwait has for much longer than Saudi Arabia pursued a policy of distributing surplus income among its citizens. The Kuwaiti private sector's assets abroad are now reckoned to be in excess of $5bn. According to preliminary estimates for 1977, investment income for the State as a whole in 1977 amounted to 548m Kuwaiti dinars (the equivalent of $1.95bn), of which KD 258m, accrued to the Government, KD 125m to mainly public-owned financial institutions, and KD 165m to the private sector.

Kuwait's public investment policy is a much more sophisticated and complex affair than that of Saudi Arabia, as befits its far long experience and bigger commitment to maximising the return from its accumulated funds. Its hidden, unstated reserve is treated separately from the Ministry of Finance's cash accounts of $3-4bn and the money held by the Central Bank as backing for the currency. It includes a very wide variety of financial instruments and assets, including ordinary deposits, securities, corporate and institutional bonds, convertibles, equities and property—the latter two managed with the assistance of foreign banks in a number of portfolios and currencies. Also embraced within Kuwait's long-term reserve are its loans to the World Bank and the IMF, as well as other commitments which are not necessarily commercial or political such as the capital contributions of the Kuwait Fund for Arab Economic Development and other Arab aid funds, its share in pan-Arab projects and investment companies, and bilateral government - to - government loans, some of them interest free.

As a deliberate act of policy Kuwait has for over five years placed a ceiling on its oil output for reasons of conservation. For other reasons relating to the quality of its crude, its pricing and market factors, production fell last year by 8.3 per cent below the desired level of 2m barrels a day. Not least because of mounting investment income, however, the balance of payments surplus did not fall substantially from the 1976 peak, amounting to the equivalent of $7.3bn to a provisionally estimated $6.4bn. Expenditure is making mounting demands on revenue and is expected to continue to do so for the indefinite future.

In the budget estimates for fiscal 1977-78 (ending last month) a surplus of KD 714.9m (nearly $2.6bn) compared with the record of KD 1.51bn ($5.2bn) in 1976-77. Kuwait has shown concern about the erosion of its purchasing power through the decline in the value of the dollar, but as far as longer-term investment is concerned has shown itself philosophically happy. It appreciates that there are limited outlets in currencies other than the dollar, and the American market remains not only the safest but also the one with the best balance between growth and income. Over the past five years the average rate of return has been 9 per cent on stocks and shares and 6-7 per cent from real estate.

In the United Arab Emirates Abu Dhabi is seeing its surplus gradually dwindle: it could disappear altogether next year. Last year the Emirate had an income of about $5.6bn. Of that about $1.4bn was spent by federal ministries (Abu Dhabi is the major contributor to the federal budget), about $1.7bn within the Emirate and about $1bn on aid, leaving a surplus of rather more than $1bn to be transferred to the Abu Dhabi Investment Authority. This year, however, income is likely to be down by at least 12 per cent, while both the federation (whose absorptive capacity has been steadily rising) and the Emirate itself will take more. Aid may prove difficult to scale down sharply.

The Emirate plans to peg development spending over the next three years and should during that time complete most of the infrastructure it needs, so that early in the next decade its spending could drop, leading, other things being equal, to a resumed surplus. The Abu Dhabi Investment Authority's assets are estimated at between $5bn and $6bn, spread among a variety of outlets including equities (mainly on the New York, Tokyo, Zurich and London stock exchanges), fixed interest securities, including bonds, property and some relatively small investments in the Arab world and the UAE itself. The Authority is increasingly under UAE management. It has been estimated that Abu Dhabi should be able to cover its domestic spending out of its investment income in about ten years time.

Domestic

Dubai, the other main oil producer in the UAE, is unlikely to have any surplus for outside investment this year because of its heavy domestic spending and the cost of servicing its substantial debt, which will peak next year and in 1980 assuming no additions are made to it.

With limited oil reserves Qatar has chosen to restrict its output to about half the level of which it is capable. A 10 per cent fall last year cancelled out the effect of the price increase which the state imposed along with the majority of OPEC at the beginning of 1977. In the event a fiscal surplus of about $250m was generated in contrast to the budget deficit originally envisaged. At the same time Qatar borrowed on the international market $300m to help finance its heavy industrial projects. Apart from the reserves held by the Qatar Monetary Agency as currency backing, the accumulated surplus is little more than $2bn split almost equally between deposits and bonds of varying maturities.

Libya has always protested that it should not be considered a surplus producer, but this assertion is open to question. Even full implementation of its 1976-80 development plan which seems improbable in even nominal money terms, would leave a considerable excess of revenue which is currently running at an annual rate of $8-10bn annually. There is, too, a limit to the quantity of Soviet and French arms that it can absorb. As it was, with oil production up 10 per cent last year and the price increment of the same order, Libya's international liquidity as recorded by the IMF rose from $3.2bn to $4.9bn. However, those published reserves should correctly be regarded as a cash balance and certainly very much understate Libya's accumulated surplus. In practice what Tripoli would regard as longer-term savings are handled by the Libyan Arab Foreign Bank and the Libyan National Investment Company, which holds the stake purchased from Fiat towards the end of 1976. Policy is directed by political and economic development considerations rather than the aim of creating an alternative source of income. Over the past few years LAFB has been very active in the Eurobond market, either directly or through its participation in consortia banks as well as making direct loans such as the $250m provided for ENI earlier this year and guaranteeing as well as contributing to the $100m recently raised for debt-stricken Turkey.

In a peculiar way Libya's revolutionaries have been "obliged to become rentiers to the capitalist world they detest" in the words of oil consultant Jack Hartshorn.* Despite its comparable income and radical attitude Iraq is an altogether different proposition. It not only has a much greater long-term potential as a producer—remaining for various reasons underdeveloped in terms of its petroleum resources—but has a much higher absorptive capacity with its 11m population. Inscrutably enigmatic Iraq does not even produce figures for its oil production. It would be a mistake to assume that its officially published gold and foreign exchange reserves present the full amount of its external assets, but in practice the IMF statistics probably cover the bulk of them. Iraq's recorded reserves rose from $4.6bn to nearly $7bn in 1977. Certainly its funds which are deployed exclusively by the Central Bank and the Rafidain Bank, are kept highly liquid. Iraq's involvement in the Eurodollar market has been negligible though its External Development Fund has been disbursing an increasing amount.

Limits

Apart from the increasingly large amounts of funds required by the producers for budgetary reasons and currency cover, all the Arab producers would prefer to put their revenues into necessary infrastructure and productive income generating projects. Even Kuwait is not really an exception to that generalisation but has decided there are desirable limits to domestic growth for social and political reasons. As it is OPEC countries — like most other investors—have earned a negative compound interest on their surplus revenues placed abroad since 1973, through inflation and decline in currency values. Meanwhile the bulk of their external assets have been placed in dollars either through direct placements in the U.S. or in the Eurocurrency markets.

The World Bank has recently estimated that no less than 75-80 per cent of the accumulated OPEC surplus as a whole are in the form of dollars of one kind or another and no less than 60 per cent in the form of bank deposits. It was the scale and high degree of liquidity of these funds that led Mr. Edward Heath to propose recently that the producers owning them should lend directly to industrialised countries, as well as the developing world, as part of the campaign for global reflation. As pressure on revenue increases no producer apart from Saudi Arabia is likely to want to increase its bilateral commitments.

For over a year now there has been mounting preoccupation with the erosion of the value of the dollar, which has lost something like 17 per cent in purchasing power since the beginning of 1976 and about 30 per cent since the great price explosion two years earlier. Yet this year the shift out of the dollar has been minimal, according to the World Bank. The fact is that there are limited opportunities for diversification. Or as Mr. Abdel-Rahman Attiqi, Kuwait Minister of Finance, put it "there is no alternative to the dollar."

* "Objectives of the Petroleum Exporting Countries" by J. E. Hartshorn in co-operation with with the Middle East Economic Survey and Energy Economics Research. Price $300.

Richard Johns

Libyan Arab Foreign Bank

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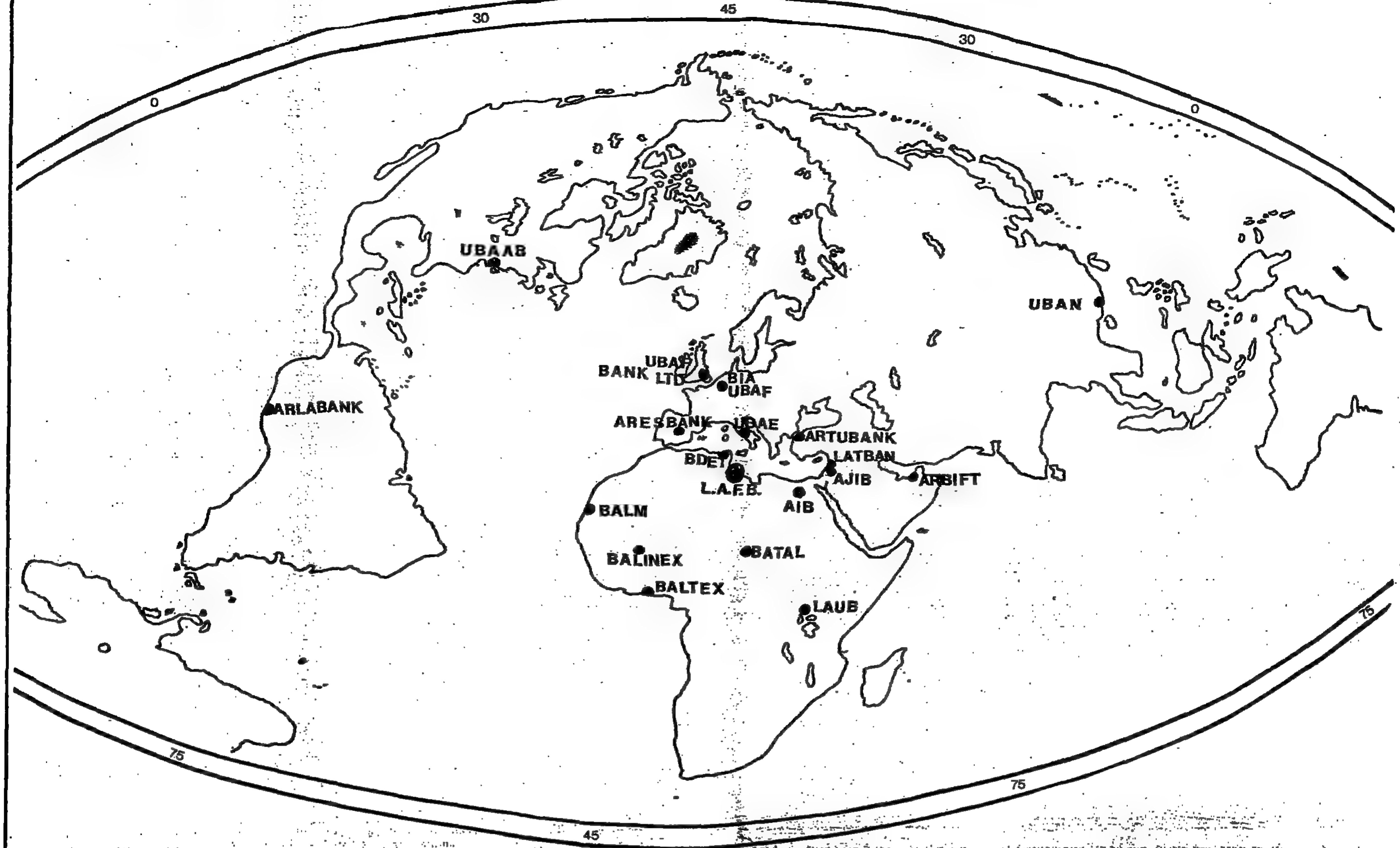

FINANCIAL STATEMENTS 1977

BANKING DEPARTMENT

CURRENT LIABILITIES	124,768,274	CURRENT ASSETS	81,872,912
NON-CURRENT LIABILITIES	5,074,182	NON-CURRENT ASSETS	160,456,865
PORTFOLIO VALUATION RESERVE	3,000,000	FIXED ASSETS	195,379
SHAREHOLDERS' SPECIAL ADVANCE	90,595,800		
SHARE CAPITAL & RESERVES	19,086,900		
	242,525,156		242,525,156

DEVELOPMENT DEPARTMENT

CURRENT LIABILITIES	449,100	CURRENT ASSETS	1.702,598
NON-CURRENT LIABILITIES	96,600	NON-CURRENT ASSETS	15,212,919
PORTFOLIO VAL. RESERVE	3,000,000		
SHARE CAPITAL & RESERVE	13,369,817		
	16,915,517		16,915,517
TOTAL SHARE CAPITAL AND RESERVES AND LIABILITIES OF BANKING & DEVELOPMENT DEPARTMENTS	259,440,673	TOTAL ASSETS OF BANKING & DEVELOPMENT DEPARTMENTS	259,440,673
CONTRA ACCOUNTS	233,076,643	CONTRA ACCOUNTS	233,076,643

HIGHLIGHTS

THE LIBYAN ARAB FOREIGN BANK IS A GOVERNMENT BANK INCORPORATED IN 1972 IN THE FORM OF A JOINT STOCK COMPANY, EXEMPTED FROM ALL LIBYAN EXCHANGE CONTROLS AND BANKING LEGISLATIONS.

THE INSTITUTION HAS STRIVED TO SUCCEED IN PROMOTING ITS TWO BASIC PRINCIPLES:

(1) TO ENCOURAGE AND SERVE THE DEVELOPMENT OF THE REGION AS A WHOLE; AND OF NEIGHBOURLY AND FRIENDLY COUNTRIES IN PARTICULAR.

(2) TO ENTER AND BECOME ACTIVE IN THE FINANCIAL MARKETS OF THE WORLD.

THE BANK PERFORMS ALL INTERNATIONAL BANKING, FINANCES ALL TYPES OF INVESTMENTS, RESEARCH AND FEASIBILITY STUDIES, PROMOTION OF NEW PROJECTS AND JOINT VENTURES. IN ITS FIVE YEARS OF ACTIVITY THE LIBYAN ARAB FOREIGN BANK HAS SET UP A WORLD-WIDE CHAIN OF FINANCIAL INSTITUTIONS AND COMPANIES, AND HAS AN INTERNATIONAL NETWORK OF CORRESPONDENTS.

NET PROFITS (BEFORE TAXATION):

AS OF 30/04/1974	—	LD 2.6	(Approx.)	US$ 8.9
„ „ 31/12/1974	—	„ 4.3	„	„ 14.8
„ „ 31/12/1975	—	„ 5.6	„	„ 19.3
„ „ 31/12/1976	—	„ 4.4	„	„ 15.2
„ „ 31/12/1977	—	„ 8.1	„	„ 27.9

BANKING SUBSIDIARIES AND AFFILIATES

BANKING SUBSIDIARIES AND AFFILIATES	L.A.F.B. EQUITY %	CAPITAL OF BANK (millions)	TOTAL BALANCE SHEET (millions)
BIA—Banque Intercontinentale Arabe—PARIS	50	FF 100	FF 3,558.0
AIB—Arab International Bank—CAIRO	28.8	US$ 100	US$ 963.9
ARBIFT—Arab Bank for Investment & Foreign Trade—A. DHABI	33.3	ED 60	ED 1,018.7
LATBAN—Libyan Arab Tunisian Bank—BEIRUT	60	LL 10	LL 75.3
AJIB—Arab Jordanian Investment Bank—AMMAN	10	JD 5	(Incorp. in 1977)
BDET—Banque de Développement Economique de Tunisie—TUNIS	7	TD 10	TD 83.2
ARLABANK—Arab Latin American Bank—LIMA	13.4	US$ 100	(Incorp. in 1977)
ARESBANK—Banco Arabe Espanol—MADRID	30	PTAS 1,500	PTAS 51,962.5
ARTUBANK—Arab Turkish Bank—ISTANBUL	40	TL 240	(Incorp. in 1977)
BALM—Banque Arabe Libyenne Mauritanienne—NOUAKCHOTT	51	OM 200	OM 2,354.6
BATAL—Banque Tchado-Arabe Libyenne—N'DJAMENA	51	CFA 250	CFA 2,761.7
BALTEX—Banque Arabe Libyenne Togolaise—LOME	50	CFA 1,000	(Incorp. in 1977)
UBAF BANK LTD—LONDON	25	STG £ 10	STG £ 431.4
UBAF—Union des Banques Arabes et Francaises—PARIS	7	FF 150	FF 14,782.3
UBAE—Unione di Banche Arabe ed Europee—ROMA	8	LIT 10,000	LIT 513,621.3
UBAAB—Ubaf Arab American Bank—NEW YORK	7	US$ 25	US$ 323.8
UBAN—Arab Japanese Finance Limited—HONG KONG	7	HK$ 25	HK$ 1,569.7
LAUBANK—Libyan Arab Ugandan Bank—KAMPALA	51	U SH 60	USH 1,177.6

INTRA-REGIONAL INVESTMENT

The poor relation

IN SPITE of eloquent pleas by pan-Arab idealists, intra-regional investment remains the poor relation when it comes to allocating the financial surpluses of the oil-producing countries of the Arabian peninsula. For governments, development and defence expenditure, foreign investments and development aid—quite apart from the increasing demands of annual recurrent budgets—all receive priority over the allocation of funds to intra-regional investment organisations. For the private sector, domestic investment followed by investment in the industrialised west is more attractive than investment in other Arab countries, especially the poorer brethren.

As with money, so with people. The Arab world is woefully short of trained, experienced and capable financial and investment managers. Inevitably the best, who are very good indeed, are deployed in the high return investment areas. There tends to be a big gap between the abilities of the best people and the abilities of the average. It follows that investment projects in the financially poorer countries, which are likely to demand well above average in financial entrepreneurship if they are to be launched and become viable, are often the responsibility of managers for whom extreme caution is the watchword.

Some Arab ministers and financial experts would argue that the substantial sums disbursed by the oil surplus Arab states in aid to the less well endowed members of the Arab League constitutes investment.

In the sense that this aid is developing an economic, industrial and social infrastructure, and hence is improving the climate for more conventional investment, this argument is reasonable. But aid is generally on a government-to-government basis. Loans are fixed term, structured and guaranteed. An assessment of risk, the hallmark of entrepreneurial investment, is almost completely absent from development loans.

Dedicated

There can be few more dedicated exponents of intra-regional investment in the Arab world than Kuwait's Finance Minister, Mr. Abd Al-Rahman al-Atiqi. Yet Mr. Atiqi is completely realistic in his assessment of the practical difficulties in the way of Arab investment in the Arab world. In an interview last year, he said: "Investment in such countries as the U.S. and Europe, which follow the free capitalist system and have a long experience, in general is easier."

In an address to the cultural seminar of the Arab League on November 1, 1977, entitled "Economic integration in present day Arab life," Mr. Atiqi called for greater intra-regional investment, for the creation of a distinctive economic system in the Arab world and for greater private sector participation in joint Arab projects. "It is unacceptable," he said, "that one basic and essential element of economic activity—the private sector and individual initiative—should be absent from the campaign for Arab economic integration."

It is generally recognised that the major constraints to intra-regional investment in the Arab world include the lack of homogeneity in its economic systems, inadequate or non-existant investment laws, the lack of political stability in some countries, and the dearth of entrepreneurial and managerial talents in most countries of the region.

In an attempt to create a climate more favourable to investment in the region, the Arab League has set up a number of institutions. These, in descending hierarchical order include the League's Economic Unity Council, and the Arab Common Market, the latter still inoperative. These institutions date from the 1950s and their most important provisions related to the removal of restraints on trade.

To foster joint Arab investment projects, the Arab Economic Unity Council spawned a number of institutions: these institutions include the Arab Mining Company, the Arab Company for the Development of Animal Resources, the Arab Company for Pharmaceutical Industries, the Arab Organisation for Agricultural Investment, and the Arab Investment Company. The functions, or rather the intended functions, of the various organisations are indicated by their titles.

With one possible exception, the Arab Investment Company, these organisations have yet to serve the purpose for which they were founded. In addition to competing for scarce funds, these intra-regional investment organisations also had to compete for the even scarcer available managerial talent.

The difficulties in the way of establishing intra-regional investment organisations have proved even more fundamental than this. In Mr. Atiqi's words: "... at a time of proliferating demands for the investment of Arab funds within the Arab world we find the ratification of these agreements and the paying up of shares is taking an unjustifiably long time, despite the fact that these projects represent major opportunities for intensive investment in the Arab countries in extremely vital fields such as mining and mineral resources, production of agricultural and medical products, livestock and industry. I believe that there is a lack of understanding of the nature of these projects. The economic sphere of these Arab projects is the Arab world, each within a specific sector. Despite this, we see that a country's interest in a company is related to the choice of the location for its headquarters, and if the headquarters is located outside that country it loses interest in it, even though these are holding companies whose aim is the development of investments in all the Arab member countries."

The headquarters of the Arab Investment Company (AIC) is in Riyadh. Possibly this fact has had some bearing on the relative success of the organisation. Set up in July 1974, the original shareholders of the company were the governments of Saudi Arabia, Abu Dhabi and Kuwait. Now 15 Arab countries have subscribed capital to AIC, whose objectives are very simple. The company is charged with the investment of Arab funds at commercial terms in Arab countries, with an emphasis on the development of local resources. AIC can take a share of the equity in any venture it sponsors.

The company began operations in 1975 with an authorised initial capital of $255m in shares of $100,000. To start with, 20 per cent of this authorised capital was paid up, with provision for the total to be paid up over a period of five years.

AIC's first investment venture is an excellent illustration of the problems of intra-regional investment in the Arab world. Stirred by the concept of "the granary of the Arab world," and drawn by what then appeared to be an extremely viable project, AIC acquired 17 per cent of the equity in Sudan's Kenana sugar company. In taking this share, AIC was the first Arab financial institution to invest in Kenana.

As the overall cost of Kenana increased by leaps and bounds, so did AIC's financial exposure. At the present time, the company has $54m, or 31 per cent of its total paid up capital so far of $180m in Kenana either as equity or local capital. In addition to this direct investment, AIC has guaranteed $30m of supplier credits for the purchase of equipment for the project. Naturally, if the revenue generated by the project is insufficient to service the loans concerned, these guarantees could be called.

So serious had the drains of Kenana become on AIC's resources that the shareholders deemed a change of management desirable. A new director general of the company was appointed last October. It is likely that AIC will concentrate in the future on smaller projects, and thus limits its exposure, and the involvement of its hard pressed management team. Apart from Kenana, the company has invested a total of $66m in equity and loans in 16 inter-regional projects, which include an asbestos pipe factory in Tunisia, a prefabricataed housing plant in Morocco, a brick and cement plant in North Yemen, and a reinforced steel bar plant in Oman.

The company's new management regards its function as being as much that of a catalyste as a provider of finance. In no sense does the management want AIC to be regarded as a soft loan agency.

Another Arab institution created to facilitate intra-regional investment is the Inter-Arab Investment Guarantee Corporation. Set up in 1974 and based in Kuwait, the objective of the corporation is to provide insurance for Arab investors in the Arab world against risks of a non-commercial nature.

The Corporation will insure against compulsory takeover and nationalisation, unilateral cancellation of debts, damage resulting from war and civil disturbances, and a range of risks which are classified as political rather than those associated with normal business dealings.

The Corporation ran into some difficulties in its early days on philosophical grounds, especially from conservative Arab states such as Saudi Arabia. It was argued that insurance was in a sense blasphemous, in that it aimed at diverting the consequences of the divine will. These arguments were eventually refuted and Saudi Arabia joined the corporation in 1977.

A major stumbling block in the way of making the Corporation as effective as its founders hoped is the small size of its capital base. Standing at some $68m, this base is just not adequate to cover all intra-regional investment, even though the Corporation's charter permits it to accept risks totalling five times its capital.

As far as is known, the Corporation has never been called on to pay up against a claim. Its first claim could, in theory at least, be to compensate investors in another intra-Arab investment scheme that went wrong, the controversial Pyramids Oasis projects in Egypt, now cancelled by direct order of President Sadat for political reasons.

Prestigious

Described as a "half billion dollar jet set resort," the Pyramids Oasis project had attracted some prestigious private sector Arab capital, including Adnan Khashoggi's Southern Pacific Properties, and two Saudi princes, Nawaf and Fawaz bin Abdul Aziz al-Saud. It could be called a classic example of what not to do in intra-regional investment, or even a perfect illustration of the unacceptable face of capitalism. The Egyptian people, the Arab world as a whole, and indeed the wider world, had a picture of the prospect of substantial profits for a few at the expense of the many. Now all that is left of it after some four years' work are claims for compensation.

A very different institution fostering intra-regional investment is the Bahrain-based Gulf International Bank (GIB), owned by the seven Gulf countries, Saudi Arabia, Kuwait, Iraq, Bahrain, Qatar, the UAE and Oman. The bank's paid-up capital is $71m, of an unauthorised total of $500m. In its first year of operation, the bank attracted deposits totalling $450m, and made a $2.6m profit.

The thinking behind the creation of the bank is revealing of a new generation of Arab businessmen, found especially in Bahrain and Kuwait, with attitudes in marked contrast to the earlier, often Egyptian-inspired philosophies which led to a proliferation of bureaucratic supra-national agencies whose effectiveness tended to be in inverse proportion to the impressive sound of their titles.

In essence, investment requires businessmen with money to lend being put into contact with businessmen with potentially profitable projects, the whole being in an environment in which contracts can be concluded with confidence, knowing that they will be upheld by law.

The Arabian Peninsula is certainly not short of businessmen with money to lend. And that there are businessmen with projects which are decidedly bankable is shown by the rising number of private sector loans granted to peninsular-based organisations. The interesting fact, however, which strikes at the pure concept of Arab investment in the Arab world, is that by far the greatest proportion of these private sector loans are arranged by international banks even though these banks are under Arab management. The borrowers end up borrowing Arab money, but through the international banking system, rather than on a direct Arab to Arab basis. Indeed, the Gulf International Bank stresses its international character before it stresses its Arab character.

The trend is clear. Intra-regional investment, especially in the Peninsula, although small compared to other Arab investment is growing and thriving, through the medium of the international banking system, of which Arab and consortium banks with Arab capital form an important part.

John Townsend
Editor, Near East Business

THE EUROMARKETS

A new flexibility

ARAB BANKING, with roots deep in Islamic conservatism, has frequently been accused of being slow to respond to the changing economic and monetary needs of the Arab Arab world in the last few years. Indeed, the domestic banking systems of certain of the main oil producers, such as Saudi Arabia, are often considered inadequate in Western terms of meeting some of the minimum demands on them, given the pace of regional economic development.

However, new initiatives by a number of Arab banks in the past 12 months has caught the attention of the world financial community, and brought to the fore new names in international banking. Emerging from the role of passive depositors of oil funds on behalf of their parent states, several Gulf Arab banking groups in particular are noted for their aggressiveness in international banking.

Arab banks are also becoming known for their willingness to join in experimentation in the international capital markets, particularly when relevant to their own regional interest. This is a development which few would have predicted only a couple of years ago.

The question of the degree of this new-found flexibility is being sought by the central banks of the Arab world.

The first-ever conference of central bank governors of the Arab states, which has just met in Amman, has started a process which could transform the Arabs from being mere suppliers of capital to full-scale intermediaries in the world capital markets.

According to the governor of the Central Bank of Jordan, Dr. Said Nabulsi, who chaired the meeting, the aim is a unified capital market for the Arab world of roughly $10bn in the near future, with emphasis on medium- and long-term capital for projects in the Arab world.

Later, however, the increasing sophistication of Arab financial markets could allow it to play a role as intermediary between Arab providers of capital and international borrowers. At that stage, the worth of this Arab capital market would probably rise to $50bn and above, according to Dr. Nabulsi.

These are long-term plans, however. The activity of Arab banks is a reflection of the variety of different economic and monetary pressures being exerted on the bulk of the oil-exporting states. A number of Arab states have found their oil surpluses have dwindled, underlying the need for external finance to supplement development and budgetary expenditures. In many cases, this has meant medium-term borrowing on the Euromarkets, a field in which Arab banks are entering with increasing impact.

While non-Arab members of OPEC have launched some of the most dramatic financings in the Euromarkets—such as the $1bn "jumbo" loans for Nigeria and Venezuela—a number of Gulf states are rapidly building up their medium-term Euromarket debt.

The Bank for International Settlements in Basle has released some penetrating data on OPEC borrowings. In 1977, the oil-producing countries' recourse to the international markets totalled $11.3bn, while the group's deposits with the international banking system declined to $13.4bn. In fact, OPEC deposits with banks reporting to the BIS in third-quarter 1977 amounted to only $400m, while borrowings reached $2.2bn. These figures exclude OPEC deposits in national money markets. The Bank of England estimates that OPEC countries earned a $33bn net surplus last year, with roughly a third switched into bank deposits in both domestic and Euro-capital markets.

These statistics illustrate the intensity of the squeeze on oil-producers' earnings, which some observers believe may fall away further to $25bn or less in 1978. For example, Morgan Guaranty Trust, in its authoritative World Financial Markets, calculates that, with rising imports and declining exports, the current account surplus of the key OPEC state of Saudi Arabia could slip to about $5bn in 1980 compared with the $17bn of 1977.

The several hundred million dollars of syndicated Euromarket transactions so far this year du give some insights into the borrowing requirements of the area. They include a $100m loan for the United Arab Shipping Company, a multinational Arab concern, $100m for the Qatar Steel Company, $100m for Emirates Telecommunications and a $60m syndication for the Bahrain National Oil Company. These loans were all significant in that they were managed and led by the new Arab breed of banks and investment institutions.

Operations

It is also apparent that these new Arab banks will not confine their operations to Arab borrowings alone. In one of the first such operations of its type for an East European nation, Poland raised a $40m loan from a group of Arab banks earlier this year to finance oil imports, following a similar $100m financing by the National Bank of Hungary at the beginning of the year.

East Germany has also tapped the market with a $22m Gulf borrowing earlier in 1978, although this transaction was apparently not linked to oil imports.

Western bankers consider the key new institutions in medium-term credits in the Gulf include the Abu Dhabi Investment Company (60 per cent owned by the Abu Dhabi Investment Authority), Gulf International Bank (jointly owned by Saudi Arabia Kuwait and several other Arab governments), National Bank of Abu Dhabi and Kuwait International Investment. These organisations have rapidly expanded the Arab presence in this type of credit, in the raising of which the Paris-based consortia banks, Union des Banques Arabes et Francaises and Banque Arabe et Internationale d'Investissement had been dominant for many years.

The emergence of these Arab banking institutions, competing in a market which has traditionally been the preserve of the big Western banks, has been greeted with mixed feelings by bankers in London, New York and elsewhere.

On the positive side, many consider that the fact that Arab banks are prepared to lend and commit long-term funds in sizeable volume in the international markets is a healthy sign — and a development long urged on Arab governments since their oil surpluses began to pile up in short-term bank deposits.

It is clear the Arab Government's backing, for instance, the Abu Dhabi Investment and Gulf International Bank have agreed that they should become an important channel for recycling surpluses into the Euromarkets.

Nevertheless, some warning comments are being heard. Undoubtedly, their presence has allowed some Middle East borrowers to obtain a perceptible improvement in the terms they can obtain in the medium-term market. This claim came to a head with a recent $100m credit for Morocco's State phosphate concern, OCP, managed by Abu Dhabi Investment. The transaction was based on a margin to the lending banks of ⅞ percentage points over London Eurodollar interbank rates, attracting the charge that it was far too "finely priced" considering the shaky state of the Moroccan economy and previous Moroccan lending margins.

The argument about this credit still continues. But it is interesting to note that the Kingdom of Morocco is now returning to international markets shortly for a loan of $300m. Many Western banks professed themselves reluctant to participate at a ⅞ per cent spread, and wanted a higher margin. It is thus no surprise that the new loan commands a 1 per cent margin.

Apart from these criticisms, Western bankers also claim that if it came to the large high-risk balance of payments loan for a poorer member of the Arab world, such as Egypt and Sudan, U.S., European and Japanese banks will still have to absorb this unattractive loan business.

However, the latest operation of the Arab Monetary Fund, the Arab world's Abu Dhabi-based equivalent of the IMF, may prove to have great significance for commercial banks. The AMF has agreed to co-manage a loan of $120m for Algeria on the medium-term market. This credit, destined for the state Banque Nationale d'Algerie, is being lead-managed by Gulf International Bank.

The Fund, whose primary objective is to aid member states with balance of payments problems, was thought more likely to start its programmes with aid injections for Egypt or Sudan. Nevertheless, its presence in the medium-term market can only help to reinforce the activities in this area of the Arab banks, and perhaps reduce the charge that these banks will avoid very high-risk payments loan.

Medium-term credits apart, the trend towards experimentation in Arab banking, particularly in international business has gathered pace in other spheres. Undoubtedly, the gravitation of Western banks to Bahrain, where the offshore market has evolved into the Gulf region's own Euromarket centre, has helped inject expertise and sophistication into the area in general.

At the same time, the many indigenous and foreign banking institutions in the United Arab Emirates, which has long been accused of being "over-banked," have started to look for offshore business as the local economy has slowed down.

In Bahrain, the two-year-old market, now numebring 36 operating Offshore Banking Units (OBU's), is generally agreed to be generating genuine regional banking business, rather than being a poor relation picking up marginal business from the big Euromarket centres in Europe and South-East Asia.

Liabilities

Regional activity now accounts for over half the market. Liabilities in Gulf currencies, particularly in Saudi riyals and Kuwait dinars, reached the equivalent of $3.6bn at end-1977 compared with just over $1.2bn in 1976.

The growth in Saudi-related business has been impressive. One reason is the Kingdom's decision to denominate its big construction contracts in riyals, thus drawing foreign contractors into foreign exchange exposure in the currency. Most contractors have now learnt to deal in Bahrain to hedge themselves, as well as earn tax-free deposit interest on their free riyal balances.

Such is the scale of business that the Bahrain OBU market is due to introduce a clearing and interbank settlement system for riyals, apparently with the tacit approval of the Saudi Monetary Authorities.

Some of the uses to which Saudi riyals are now being put, helped by a growing and significant pool of Saudi currency in circulation outside the Kingdom, includes syndicated borrowing. Bahrain-based banks have organised several such facilities, including a SR50m financing for the Saudi industrial company, Saudi Arabian Amiantit Company. The rate was linked to the six-month rate for Saudi riyal deposits in Bahrain, which now stands at around 5 per cent.

This was followed by one of the largest transactions so far, a SR300m loan for Saudi Research and Development Company, a holding company of Saudi businessman Mr. Ghaith Pharaon.

However, the international expansion in loan business is believed to be moving at too rapid a pace for the Saudi Arabian Monetary Agency. SAMA is widely reported in markets to have written to some banks to urge caution in the use of the riyal in international transactions. While there has been no official confirmation of this step, it is believed that SAMA is anxious not to see a large, uncontrolled "offshore" pool of riyals develop which could eventually endanger its domestic monetary policies.

It is understood that a proposed issue in riyals by the Moroccan development bank BNDE is now being rethought in the light of the Saudi desire to restrict the international use of its currency.

Nevertheless, the pressures to orchestrate a wider role for Arab currencies remain. One of the biggest internationally-syndicated loans in Kuwait dinars so far is now being managed by the National Bank of Kuwait and Chase Manhattan. Totalling KD 14m (approximately $50m), it is being arranged for a Kuwaiti private sector company, A. al-Babtain, sole agent in Kuwait for imports of Datsun vehicles. The spread is 1¾ per cent over Kibor (Kuwaiti dinar interbank offered rates).

With the warning shot from SAMA on the rival, many bankers believe that Kuwait will take on growing importance for the international markets. The past 12 months have seen the first Kuwaiti dinar certificates of deposit, fixed as well as floating rate.

The first major promissory note issues have, also been introduced in dinars. Other area innovations include local currency bond issues in Bahrain, the most significant of which was the BD 15m 10-year bond for Petroleos Mexicanos.

John Evans

FINANCIAL CENTRES

Gulf takes over

THE DEVELOPMENT of financial *institutions and services* has proceeded so fast in the Gulf that people long ago stopped talking about the chances of Beirut recovering its premier position in Arab *finance* (and the recent new flare-up of fighting there has re-emphasised the improbability of this happening for many years to come).

It is in the Gulf that, out of *nothing*, has been created a major offshore banking centre—Bahrain—which by the end of June had assets totalling $19.5bn. This total was within striking distance of the assets of Bahrain's closest offshore rival — Singapore — which has about $22-23bn. It is in the Gulf that Kuwait has for long provided a stock of native financial expertise and acumen and has developed a wide range *of capital market services* not just for the local market but the Gulf and Arab world as a whole.

It is also in the Gulf that major new local banking institutions have emerged in the last 18 months or so to challenge the powerful U.S., European and Japanese banks in syndicating Eurocredits and take their place alongside the more established Arab investment *houses—mainly* Kuwaiti—which had earlier made their mark in Eurobonds.

Outside the Gulf, there are no really serious contenders as financial centres. Amman has built up a range of local, foreign Arab and Western banking institutions but basically remains a backwater. Cairo has been even more successful in pulling in foreign institutions. Around 70 have opened offices there. But the parlous state of the economy, almost non-existent telecommunications and other basic problems have deterred any real financial development. Tunisia has set out to attract banks *operating offshore*, but only Citibank has so far opened, and the advantages of Tunis over other Arab cities are not clear.

Rapid

Bahrain's growth has been extremely rapid, and the momentum appears to be keeping up. Offshore banking assets totalled $18.3bn at the end of April this year, $19.2bn at the end of May and $19.5bn at the end of June. April's figure compared with only $8.9bn a year earlier. By June, 40 offshore banking units *(OBUs) were operating*, with another four still to activate their licences, including Barclays Bank International.

The Bahrain Monetary Agency (BMA) statistics show strong growth in deposits from the Arab region. Liabiilties there stood at $10.6bn in April, 1978, against $3.7bn a year earlier, while liabilities from Western Europe grew from $3.6bn to only $5bn in the same period. This reflects the increasing deposits coming from banks in the oil-rich countries surrounding Bahrain and, to a much lesser extent, from official and semi-official institutions.

It is generally reckoned in the banking community in Bahrain, that most official surplus funds still follow traditional channels direct to the big international banks in London, New York and other Western centres.

Growth in OBU assets in Arab countries has also been healthy. Between April 1977 and 1978 they rose from $3.6bn to $9.3bn, while assets in Western Europe went up from $2.2bn to $4.2bn during the same period. The asset growth is a *direct result of the strenuous* efforts OBUs have made in the past year or so to develop the corporate lending side of their business. Except for the really big banks with OBUs—such as Citibank, Bank of America, Chase and Swiss Bank Corporation—which have worldwide dealing operations, there is not much money to be made out of foreign exchange dealing or money market operations. Only the big banks can deal in the large amounts on which reasonable profits can be made.

In order to cover high operating costs in Bahrain—$25.000 a year for an annual *OBU licence plus other expenses* which can take the bill up to a $1m for a large bank—the onus has been on OBUs to search out lending opportunities in neighbouring states. This has not always made them popular with the commercial banks in Saudi Arabia, Kuwait or the United Arab Emirates, which have accused them of stealing their customers. The OBUs have been able to offer customers for local currency loans rates which are slightly below what the local banks can offer, because their cost of funding is often cheaper. The local banks place their excess riyals, dinars or dirhams withe OBUs because they can produce a return overnight or for longer periods on money which would otherwise have to remain interest-free with their central banks.

The counterpart of this placing is the lending out by the OBUs. Because they have no liquidity requirements to meet, they can charge less when they lend back to Saudi Arabia, Kuwait, etc., than can the local banks, which do have to satisfy liquidity regulations. Some OBUs are known to use overnight money to lend out for periods of up to a year. Periodically, the local banks or monetary authorities have retaliated, forcing up rates quickly in what are still very volatile local currency markets to catch OBUs out. Already this year, the Saudi riyal and UAE dirham have been squeezed in this way and several OBUs were caught in it.

Exaggerated

But the amount of unfair competition from Bahrain in the surrounding countries is probably exaggerated. OBUs have been providing many of the services that the Saudi banks, hidebound by regulations, or the Kuwaiti banks, fairly complacent because of their high profits, have been unable to provide.

Whatever the OBUs can offer in the way of lower costs to a local borrower should not, however, jeopardise his long-term relationship with his local bank, since there is no substitute for a banker being on the spot in the market *where he is operating*. The only area where the BMA has felt it necessary to ask OBUs for restraint has been on letters of credit, where certain institutions were selling on cheap commission rates. The BMA did not tell OBUs to stop letter-of-credit business in neighbouring states —it merely advised that the business be part of a broader relationship with the client.

Bahrain has recently started issuing investment banking licences to broaden the range of institutions there and develop more longer-term business. Kuwait is still the leader in this sector. It has long had powerful investment companies, which have been active in direct local and regional investment as well as local currency bonds and international bonds. Its commercial banks have huge assets, and have recently started to show more interest in managing and syndicating credits for Arab borrowers. Partly in response to Bahrain's emergence but mainly as a logical growth in the market, Kuwait *has developed a* wider range of financial instruments and services over the past 18-24 months. The banks have begun issuing certificates of deposit to lengthen the maturity *profile* of their liabilities, which have been traditionally concentrated on the short periods. As a result, syndicated credits in Kuwaiti dinars have started, and recently KD 14m was raised in this way for a local borrower. Al-Babtain, with National Bank of Kuwait lead managing alongside Chase Manhattan.

A secondary market-maker—the Arab Company for Trading Securities (ACTS) — began operating last year, bringing depth to the market and improving conditions for new issues: coupons have come *down, maturities lengthened* and the amounts available for each issue increased. At the same time, prices in the secondary market have held up, and most issues trade over par. It is reckoned to be only a matter of time before triple-A borrowers are attracted to the KD bond market—perhaps a major western company with big contracts in the region and receivables in KD or another local currency.

More and more private sector borrowers are emerging in the Gulf, and local banks are coming forward to raise money for them on the international markets. *A lot of the smaller* projects tend to be in the real estate field, and some are not always very well conceived or adequately documented.

A recent spate of borrowings by government entities in the Gulf has given institutions like Gulf International Bank in Bahrain, National Bank of Abu Dhabi, Abu Dhabi Investment Company and, to a lesser extent, the Kuwait International Investment *Company a chance* to play a major role in managing Eurocredits. The deals for Qatar Steel, United Arab Shipping, Bahrain National Oil Company, and others have all been *done at the finest spreads*, starting at ½ per cent above Libor, a level which has so far been bettered only by France of the sovereign western credits.

The established international banks have complained of the aggression in pricing shown by GIB—owned equally by the seven Gulf states—NBAD and ADIC—both majority owned by the Abu Dhabi Investment Authority. But it is a natural desire for the oil-rich governments to want their state or semi-state entities led into the markets by their own banks. These banks have the muscle to do this at a time of very low spreads and very stiff competition for good borrowers. They will be even more powerful when market liquidity tightens, for non-Arab banks' funds are likely to be affected before their own funds from the oil states.

Brian Thompson

AID

An economic force

ARAB AID has acquired tremendous financial and economic importance in the world. With disbursements by Arab States and aid institutions running at well over $5bn a year it accounts for a significant part of the oil States' *surplus*. Arab aid has become a major economic force both inside and outside the Arab world, and the economies of a few countries are highly dependent on it. Other financial transactions such as inter-Arab investment are in many cases under-pinned by aid operations.

The Arab aid funds make up only a small part of the total Arab aid disbursements, but their activities have grown enormously. Several new funds have come into existence since the 1973-74 oil price explosion and by January, 1978, some $6bn had been committed by them—17 times *more than* had been approved by the beginning of the decade. The total of authorised capital and authorised borrowing of the major funds comes to around $23bn.

Total disbursements by the oil revenue surplus States appear to have amounted to about $15bn between 1974 and 1976, although accurate figures are not easy to obtain. Saudi Arabia's disbursements during that period averaged $3.3bn, while Abu Dhabi's were just over $1bn, with Kuwait's rather less than $1bn. The same pattern can be expected to continue now. These figures, compiled in part from OECD estimates and in part from Governments, include aid disbursed through funds, capital contributions to inter-Arab funds, project aid disbursed through the Government rather than through aid funds, balance of payments support and other subventions.

In all the Arab aid-giving *countries it is possible to detect* a strong humanitarian desire to benefit other countries, to spread more widely the results of their own good fortune in having large oil reserves, to strengthen the developing world and to contribute to a general Arab (and, especially for Saudi *Arabia, an Islamic) revival*. But there is also a strong political element, for the oil revenue surplus States are fundamentally fragile political institutions, weak in human resources and conscious that money in the bank is no substitute for the educational depth and sophistication of Egypt or Syria. The themes of generosity and good political sense are closely interwoven in the operations of all the *aid-giving* States.

Generous

Saudi Arabia has, for *example, made generous* contributions to inter-Arab and multinational aid-giving institutions, such as the OPEC Special Fund and OAPEC aid and financial institutions, including the General Organisation for Developing Egypt, the Arab Investment Company and the Arab Bank for Economic Development in Africa. Outside its major contributions to the IMF and the World Bank, it has paid $1.9bn over the 1973-76 period to these institutions. But these contributions appear relatively small set against the $10bn which UNCTAD and DAC statistics reckon Saudi Arabia has disbursed in total aid over the same period.

The bulk of Saudi aid is handed out in the form of grants or very concessionary loans by the Ministry of Finance on the orders of senior Government members to countries where Saudi Arabia has a major policy interest. Two key areas are the Middle East confrontation zone, where Egypt, *Syria, Jordan and the PLO* receive Saudi assistance, and the Horn of Africa, where the Kingdom is a major benefactor of Somalia.

The aid of Abu Dhabi and Kuwait is concentrated in these areas, too; indeed, through a succession of agreements, the confrontation states benefit very substantially from the surplus states, to the extent of heavy dependence, Egypt alone absorbing billions of dollars a year. After areas of confronta*tion come politically important* Arab states such as North Yemen; nearly a third of whose recurrent and development finance comes from Saudi Arabia. The recent Arab League decision to freeze relations with South Yemen could result in Abu Dhabi and Kuwait cutting their aid to Aden, which Saudi Arabia has been pressing them to do for the past nine months or so, *ever since its own relations* with South Yemen, at one stage fairly warm, became cooler. Outside the Arab world, aid to Africa is assuming ever greater importance, with last year's decision by a conference of Arab and African leaders culminating in a pledge of $1.5bn over the next five years in aid to Africa. Asian countries, especially Islamic ones such as Pakistan and Malaysia, are beneficiaries of Arab aid, and Latin American countries are beginning to benefit.

Aid that does not flow through the development funds comes in a variety of ways, some of it being project aid disbursed by Finance Ministries with controls similar to those imposed by funds (for example, a large part of Abu Dhabi's aid is project aid, *mainly for in*frastructure, but is handled by the Finance Department, not the Abu Dhabi Fund).

Arab states have been criticised for their reluctance to provide budgetary or balance of payments support, especially to countries like Sudan that have payments problems at least in part because of the enormous inflow of aid. In fact, several countries receive such support from Arab states—the confrontation states, Morocco and North *Yemen* all receive it, while Sudan did until late 1976. While Saudi Arabia is a major *contributor to the OPEC spe*cial fund which gives balance of payments support, such assistance tends to go to states of major political importance at the time, and, more significantly, is rarely institutionalised, so that states must constantly send senior emissaries back asking for more. This gives countries like Saudi Arabia political and economic leverage over deficit countries, like Sudan, which it has lately steered into reaching agreement with the IMF.

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LONG TERM FINANCE

Solid base established

WHEN BUSINESS in the Arabian Peninsula was little more than buying and selling and the importing of consumer goods, all financing was essentially short term. The business *of banking thus became mostly* accepting deposits and issuing letters of credit.

As oil money began to flow in the area, the existing commercial banking structure was placed under great strain. Banks were called upon to finance housing and simple development *projects*, even agricultural development projects, for which their financial structure and *their local management were neither intended nor qualified.* At the same time, these banks found that they were getting an increasing volume—in some *cases a very large volume—of* government business, all of it short term. Government business meant initially receiving oil payments and making payments from government accounts, business that was as profitable as it was easy. The apparent simplicity of the operation attracted many banks to countries such as the UAE *(more than 50 commercial* banks) and Oman (20).

None of these banks were structured to provide longer term finance. In the boom conditions of 1974 and 1975, housing loans with a three-year period were the commercial banks' most ambitious essay into longer term lending. In those heady days, there was an adequate demand from expatriate managers, technicians and experts of various kinds who were prepared to pay the high rentals asked so that a bank loan could be paid off in time and a further loan raised on more property for letting to still *more foreigners.*

Commercial banks at this time would look warily at small industrial investment projects proposed by their more go-ahead clients though sometimes would place a careful toe in the uncharted waters of longer term finance. In general they would not look at agricultural projects.

Content

As long as governments in the area were content to regard the oil industry as their one significant economic activity, there was little call for longer term finance. This situation *changed rapidly after the oil* price increases of October, 1973 —January, 1974. The Kuwaitis, recognised throughout the area as the pace setters in the development of financial and investment institutions, had already founded institutions whose charters of incorporation and management permitted essays into the longer term finance field. The well known "Three K's," the Kuwait Investment Company (50 per cent government owned), the Kuwait International Investment Company (privately owned), and the Kuwait Foreign Trading, Contracting and Investment Company (owned 80 per cent by the Government of Kuwait) were active in longer term financial deals though most of their business was concerned with real estate development.

The Government of Kuwait realised that longer term finance for specific industrial projects was not as readily available as it should have been, and so founded late in 1974 the Industrial Bank of Kuwait (IBK). Forty-nine per cent of IBK's equity is held by the Kuwait Government, through the Ministry of Finance and the Central Bank. The balance is held by the private sector, *especially banks*, insurance companies and larger business enterprises.

The Industrial Bank of Kuwait is empowered to finance industrial development in Kuwait and in the Arab states of the Gulf. Its objectives include the definition of industrial and investment projects, the provision of equity capital as well as medium and long-term finance, and to import technology by finding, if necessary, foreign partners to participate in joint ventures.

As at the end of 1977, IBK had agreed to provide finance for 85 projects with a total investment potential of KD 135m ($480m). The bank had agreed to commit KD 1.3m in equity capital and KD 62.5m in loans to these projects. The largest single sector of its business was construction materials, where 42.6 per cent *of its money was invested*, followed by chemical products and processing (11.2 per cent) and marine services (7.8 per cent).

Kuwait also has its own financial institution to finance building construction and domestic housing.

Provided

Longer term finance in Saudi Arabia is provided for the most part by six government sponsored institutions, the Agricultural Bank, the Saudi Credit Bank, the Saudi Fund for Contractors, the Public Investment Fund, the Saudi Industrial Development Fund and the Real Estate Development Fund.

The titles of these institutions gives an indication of their functions. All are recent creations. The Saudi Industrial Development Fund (SIDF) for *example* was established in 1974 with a capital of SR500m ($142m) to promote industrial development in the kingdom. In November, 1975, its capital was increased to SR3bn ($849m), and SR3.5bn ($1.012bn) in December, 1976.

According to its annual report for 1976-77, it has so far lent more than SR7.5bn ($2.169bn). Almost 70 per cent of this total went to finance power projects in Saudi Arabia, with the balance going to small industrial projects. Typical of such small projects is a Saudi-Japanese joint venture between Jamjoom and Brothers of Jeddah and the Japanese Hino Motors. SIDF has lent SR12m ($3.5m) to the joint venture to help finance a SR18m truck assembly plant. The loan is repayable over 15 years with a grace period of five years, and carries interest at the rate of 2 per cent per annum.

Some of the problems of creating longer-term financial institutions were experienced by the Saudi Real Estate Development Fund. Also established in 1974, the *fund* makes interest-free loans to Saudi citizens to help them build their own houses. Currently its capital stands at SR23.8bn ($6.6bn). It has so far provided almost 80,000 loans totalling more than SR21bn ($6bn) for the construction of some 100,000 houses.

From the day of its formal opening, the fund's managers practised a liberal lending policy. The enormous funds available to the Government of Saudi Arabia, providing free credit to Saudi citizens to build their own houses makes social, political and economic sense. Unfortunately, however, the easy credit available caused private sector building to join in the competition throughout the Kingdom for scarce building materials and labour, thus adding fuel to the fires of inflation. Also, many wealthy Saudis, who had no need for free credit to build their houses, benefited while the poorer and less sophisticated citizens tended to lose out.

Oman established a housing fund in 1975. This has recently been enlarged with Kuwaiti capital. Oman has also this year established its own Development Bank.

The United Arab Emirates have yet to found any form of national industrial or housing bank or fund and the UAE Development Bank is virtually defunct. This lack is yet another example of how the political ambiguity of the federation holds back development. Yet businessmen in the UAE are not without sources of longer term finance. Merchant banks such as Wardley (Middle East) are active in the area, and European based bankers are frequent visitors. The larger and sounder based merchants and business houses have been able to raise longer term capital on the Euromarket. For example, Mohammed bin Masoud and Sons of Abu Dhabi have this month obtained a $6m loan to purchase aircraft for their wholly owned subsidiary, Emirates Air Service. The loan was managed by the Khalij Commercial Bank and Wardley (Middle East).

The lack of a Federal Government policy has not prevented the establishment of investment companies in the UAE, often with capital of the governments of individual emirates, and often also with Kuwaiti capital as well. Five such companies with a combined capital of DH 2.1bn ($40m) currently operate, though they are more interested in real estate and securities outside the area than in the provision of longer term finance within the UAE.

Another source of long-term finance is, of course, provided by stock exchanges. The Jordan Stock Exchange opened for business on January 1 this year in Amman. Shares of 63 Jordanian companies with a total capital of JD 210m ($648.1m) are traded on the exchange and the issue of new *share capital should therefore* be possible. At the present time, only Jordanian companies may operate on the exchange, but the long-term intention of the authorities is entry by other Arab companies.

Quoted

Kuwait has had a stock exchange for some years. Only Kuwaiti companies are quoted, only Kuwaiti citizens may be shareholders in banks and other businesses quoted, and only Kuwaitis may buy and sell shares. The Government and the Kuwaiti financial community has just emerged from an embarrassing situation caused by the collapse of a stock exchange boom. To bail out many private citizens and institutions left in an exposed position by the collapse of the boom, the Government had to intervene *in the market* in December 1977. This intervention has now formally ceased, leaving the market both sadder and wiser.

As the Arabian Peninsula develops generally, so its financial institutions develop. Progress over the past four years has been dramatic. There is still a long way to go before the area develops as a genuine long-term money market, but a solid base has been established. The Kuwaiti leadership is increasingly recognised, not least by the Kuwaitis themselves. In the words of the Governor of the Central Bank of Kuwait: "After you develop a money market and capital markets, with Kuwaiti institutions running them, then perhaps—nobody knows—the scope may be widened and the activities will be extended beyond our boundaries."

John Townsend

AID

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Saudi Arabia, the State most often turned to for balance of payments support, is reluctant to acquiesce because it is afraid that the money will be wasted or misappropriated without any way of stopping it, and because it has no mechanism to monitor the economic policies a country follows in efforts to correct its balance of payment. Hence as in the case of Sudan, it prefers to see the IMF secure the local government's accept*ance of unpleasant economic* measures and then consider offering cash support. The creation of the Arab Monetary Fund could lead to Saudi Arabia handing to this body responsibility for economic monitoring and disbursement of balance of payments support.

The Arab development funds are more important than the size of their disbursements, set against the total of the oil states, would suggest. They are permanent institutions staffed by experts and motivated almost entirely by high principle; although they are rarely totally free of political interference; and unlike Finance Ministries they are free to concentrate almost single-mindedly on how best to assist other developing countries.

Impressive

Their performance may at first sight appear less spectacular, but in fact it is rather impressive when one considers the greatly increased rate of firm commitments and the fact that *only three of the seven or* eight Arab aid-giving institutions were operating before 1974. The funds' operations are limited by the flow of viable proposed projects to them from recipient countries, which may be slim; by the need to make feasibility studies and assessments and arrange co-financing; and by the fact that once a project has begun, disbursement can only proceed as fast as implementation, which depends on how fast the recipient government can organise work.

Seven institutions can be regarded as Arab aid organisations. The oldest of them is the Kuwait Fund, which began in 1961 with the independence of Kuwait. By the end of the 1976-1977 financial year the Fund's disbursements had reached $680m, while commitments were $1.65bn. Its total lending potential, including authorised borrowing, amounted to $11.5bn.

The Abu Dhabi Fund for Arab Economic Development was established in 1971 and by early this year had disbursed about $180m, against commitments of $418m and total lending potential of $1.93bn.

The Saudi Fund for Development was set up in 1974 when the Kingdom at last acquired the funds to make large-scale aid-giving a possibility. In a remarkably short time its commitments have reached $2.7bn, close to its authorised capital of $2.9bn, so that disbursements have already reached $290m.

These three national funds can lend almost anywhere, though the Abu Dhabi Fund is not authorised to lend to Latin America. A fourth national *fund, the Iraq Fund for* External Development, is a much smaller institution, which keeps a low profile and shuns close co-operation with other funds. It did not have its own administration until 1976. So far it has made loans to five countries.

The multilateral funds have more complex jurisdictions. The Arab Fund for Social and Economic Development, based in Kuwait, became operational early this decade. It is assigned a broad role in looking at Arab economic development on a wider plane and drawing up schemes for such things as Arab food production (based on the development of Sudan), telecommunications, manpower and so on, and looks specifically for projects benefiting more than *one country.* Its approved assistance amounts to $1.02bn and its total lending resources amount to $4.14bn.

The Islamic Development Bank is one of the institutions which came into being in 1974. It is an international organisation with about 30 members, all of them Moslem countries, and it operates according to the Islamic sharia and does not charge interest. Instead it finances itself by the proceeds of trade financing, leasing, profit sharing and direct and indirect equity participation. It can, however, make a service charge on loans and has so far concentrated on co-financing with other funds, though it has also undertaken other financial operations, including taking equity stakes. Its subscribed capital is $956m, and it has approved commitments totalling $273m. As a bank it exists for the benefit of its members; it counts as an Arab institution since the bulk of its capital is inevitably subscribed by Arab States, with Saudi Arabia the biggest shareholder.

The Arab Bank for Economic Development in Africa (often known by the acronym of its French initials, BADEA) is charged specifically with the task of channelling Arab aid to non-Arab Africa. The biggest contributors to its subscribed capital (now standing at $392m) are Saudi Arabia, Libya, Iraq, Kuwait and the UAE. Based in Khartoum it has been very active since its formation and has committed $210m.

Closely

To overcome the problems of shortage of staff the funds, with the exception most of the time of the Iraq Fund, co-operate closely, exchanging information and sharing feasibility study work, usually taking on trust other funds' assessments of projects when agreeing to co-financing, which is the usual pattern for most funds' lending. They co-finance not only with each other but with institutions such as the World Bank and western funds.

Africa has lately become the focus of much of the funds' attention in recent years, attracting a growing portion of each fund's lending. The Abu Dhabi Fund plans to devote about half its 1978 lending to Africa this year. The Saudi Fund is to administer $850m of the $1bn which Saudi Arabia pledged to Africa last year. BADEA, of course, lends only to non-Arab African countries.

One area of funds' activity that is often neglected is how they deploy their undisbursed funds, since disbursement during the life of a project can be slow. The funds' policies differ, some *favouring* bonds, others more liquid investments —in view of the rising rate of disbursements. The priorities for most funds are safety and liquidity, with the rate of return coming third.

James Buxton

ARAB MONETARY FUND

Ambitious venture

A FEW weeks ago the Arab Monetary Fund commenced public financial operations, not with a concessionary facility to a member country with payments problems but by participating in a $120m Eurocurrency loan for Algeria.

The decision may have come as a surprise to people who saw the AMF, formally established in 1976, as the Arab World's version of the International Monetary Fund, directed primarily at assisting countries with balance of payments *disequilibria. Until* recently the debate has concentrated on how closely the AMF would resemble the IMF in its operations, and the degree to which it might be a "softer" version of the IMF, providing balance of payments support in a similar way but being a little less rigorous than the IMF in insisting on economic and *financial reform programmes.*

In fact the AMF's form of entry into the financial markets reflects its wider brief and broader range of aims than those of the IMF, and also the fact that with its far smaller financial base than the IMF it needs to operate as a commercial institution.

The decision to set up the *AMF was taken at a meeting of* the Economic Council of Arab League in Rabat in 1976. The agreement reached there came into force in February, 1977, and at the first meeting of the board of governors in April last year Dr. Jawad Hashim, a former Planning Minister of Iraq, was appointed president. The Fund made clear at its *annual meeting this April that* it should make its first concessionary disbursements later this year.

AMF's authorised capital is 250m Arab Dinars, an Arab Dinar begin a unit of account equivalent to three SDRs. The AMF's 20 member states are now in the process of paying up the second 25 per cent of the capital, which will bring the paid up capital to around $470m in May, 1979. But it is a condition of the second portion being paid in that the Fund should disburse half of its paid up capital by the same deadline.

The problem which most *deeply concerns the AMF, apart* from the high cost of operating in Abu Dhabi, where it has its headquarters, is the relative smallness of its capital base compared with the size of the financial commitments it could have to make. All states will have the automatic right to draw up to 75 per cent of their paid-up subscription should they *have a balance of payments* problem. In addition member states may be able to obtain a loan on concessionary terms from the Fund in support of a financial programme to be agreed with the Fund, and in the case of a severe balance of payments problem the AMF would, like the IMF, provide funds according to a programme of economic and financial reform agreed between the *member states and the AMF.*

ARAB MONETARY FUND: CAPITAL SUBSCRIPTIONS

(million Arab dinars; AD 1 = SDR 3)

	Number of Shares	Value of Shares
Total	5,000	250.0
Algeria	760	38.0
Bahrain	80	4.0
Egypt	500	25.0
Iraq	500	25.0
Jordan	80	4.0
Kuwait	500	25.0
Lebanon	100	5.0
Libya	186	9.3
Mauritania	80	4.0
Morocco	200	10.0
Oman	80	4.0
Palestine†	34	1.7
Qatar	200	10.0
Saudi Arabia	760	38.0
Somalia	80	4.0
Sudan	200	10.0
Syrian Arab Republic	80	4.0
Tunisia	100	5.0
United Arab Emirates	300	15.0
Yemen Arab Republic	100	5.0
People's Democratic Republic of Yemen	80	4.0

† Palestine has not yet ratified the Agreement.
Data: Arab Monetary Fund.

In addition a member state may be able to borrow up to 100 per cent of its paid-up subscription to meet some unforeseen balance of payments disaster such as crop failure. The limit to borrowing by *member states in any one year* is three times its paid up subscription, but later this may be raised to four times with the agreement of the board of governors.

The AMF could obtain more capital from its richer members such as Saudi Arabia and Kuwait, which have big surpluses. Indeed there is a school *of thought within certain Arab* political circles, and even in the Fund itself, which believes that the AMF ought to be an instrument for redistributing the surplus of the rich Arab states to the deficit countries. But that view does not accord with the *way the rich countries see their* surpluses; they might be prepared to channel their existing balance of payments aid for different countries through the AMF, but only so as to have wider backing in making sure those countries take unpleasant, *but perhaps necessary,* action on their economies.

Hence the AMF's need to borrow commercially, from the surplus states or elsewhere; to *do that it must establish a good* financial reputation, both in its commercial dealings and in its concessionary operations, which will have to be open to scrutiny by outside financiers. This is despite the fact that it is prepared to offer its members more in relation to their subscriptions than the IMF. It cannot, as Dr. Jawad Hashim has said, be a "*soft*" IMF, and it will work closely with that body which has been assisting it in getting established.

Influence

Even so, the deficit states potentially *have considerable* influence with the AMF. Saudi Arabia is matched by Algeria as the largest shareholder to the Fund, both with AD 38m, *while* Egypt is on a par with Iraq and Kuwait at the AD 25m level. The voting system of the board *of executive directors* (below the level of the governors) also reflects the relative strength of the non-surplus states. Votes are accorded according to the number of shares each country holds, each starting with a basic *75 votes. There are eight* executive directors and though Saudi Arabia represents itself it could theoretically be outvoted by the director from Iraq, who at present also represents Bahrain, Qatar and Oman; the Egyptian director represents Sudan; and the UAE director Kuwait, and so on.

Fund staff make clear that the institution is a bank. (Indeed *among its declared objectives is* advising States on investment and promoting the development of Arab capital markets.) "We will be strictly accountable for *the funds* we disburse," they say.

The working of the fund will become clearer over the next two years. It is likely to start with allowing the drawing on share stakes by member countries, and then move cautiously *towards its first loans, not at* once committing itself to the limit in the case of each country. Senior fund officials say that it will be hesitant in going to the market for some time to ensure it obtains a good credit rating. But Dr. Hashem recently told *the New York Times* that the AMF would be selling $2bn worth of bonds to Arab governments next year. They would either be denominated in Arab dinars or in other international currencies, he said.

The first countries likely to come to the AMF for balance of payments support are generally expected to be Egypt and Sudan, *entitled to about $70m* and $28m respectively. Dr. Hashim has said that the Fund expects 11 Arab countries to have a payments deficit this year, and will therefore be entitled to come to the Fund.

The AMF's recent participa*tion in a $120m loan for a State-*owned Algerian bank should be seen as stemming from the *AMF's need to establish itself* as a commercial financial institution. The AMF is co-managing the loan but its stake is not known, though it is thought to be from $5m-10m upwards. It also reflects the fact that the AMF has surplus funds available, *especially since it suffered* what appeared to be a reverse when the U.S. Government ruled that *its investment of its* deposits in U.S. Treasury bonds was not exempt from U.S. withholding tax, the Fund not being a sovereign State.

The next two years are likely to be crucial in determining how the Fund actually operates and how far it wins the confidence of Arab States. It has the potential to become a good example of inter-Arab co-operation, but it could also face tricky *political problems, which could* rebound on its financial standing. Its ultimate aim is to *foster* Arab currency and economic unity. The difficulties encountered in the way of Gulf currency union are not encouraging, but simply by *being an extra source of badly* needed balance of payments support for the deficit states it will provide a major function.

J.B.

OMAN

An era of stability

AFTER SOME two years of economic uncertainty, Oman now seems to be settling down to *an era of stability.* Government finances have been brought under tight centralised control, *soaring interest rates triggered* by bitter competition for deposits among commercial banks have been contained, and the overall growth pattern appears set on a steady and well modulated course.

The result is that the pessimism pervading the business community is being replaced by tentative optimism *for the medium and long-term* future, although the immediate outlook is still regarded as far *from buoyant. Oil production,* accounting for around 90 per cent of Government revenue, is *declining* and the large reserves of natural gas recently discovered will take some time to bring on stream. The same applies to other income generating projects presently at the initial stages of implementation, such as the 1m tonnes a year *cement factory and the copper* mining and smelting scheme in the north.

The final accounts for 1977 clearly reflect the slowdown in *the economy as Government* expenditure fell for the first time since development began with the accession to power of Sultan Qaboos in 1970. Ending up nearly 150m Omani Rials lower than it planned, it went down to OR538m from OR581m *in 1976, the largest cuts being* in civil development from OR181m to OR130m and defence and national security from OR271m to OR237m. However, revenue rose more than anticipated from OR487m to OR520m, leaving a net surplus of OR75m *after accounting for OR93m in* grants and a final surplus of OR42m after loan receipts and repayments.

The scales are tipped in the opposite direction in the budgeted balance sheet for 1978 as revenue is expected to drop to OR 455m due to the fall in oil output and the probable lack of any significant price increase, whereas OR 706m has been allocated for spending, of *which civil development repre*sents OR 222m and defence and national security OR 265m, a *smaller proportion of the total* than in the past.

When the budget was published in April, a good four months earlier than in the previous two years, committed grants stood at only OR 28m and loans at OR 96m. Therefore the Government is depending on a further OR 116m to be provided from outside sources to produce a final deficit of OR 50m after debt service payments.

The total foreign debt at the end of last year stood at OR 176m, a net increase of *OR 30m over 12 months before,* and over three-quarters of this was in the form of soft loans from Arab development funds, other institutions and "friendly" governments, notably Saudi Arabia, which is injecting huge sums into *Oman's economy.*

The last time Oman raised Eurodollars was three years ago when it ran into critical cash flow problems, and it is resolved to go to the international market again only as a last resort measure. The Government *has* also reduced its borrowings from commercial banks operating in the Sultanate to the lowest point in three years, from OR 89m outstanding in December 1976 to OR 56m in 1977, but may well have to step them up again if the finance from elsewhere does not come up to expectations.

No doubt this would help to stimulate the banking sector, whose growth was negligible in Omani terms last year. Commercial houses' assets rose by *only 17 per cent to OR 321m* compared with 39 per cent between 1975 and 1976, while credit expanded by a mere 7 per cent (42 per cent in 1976) and the money *supply by 10* per cent (also 42 per cent).

Having suffered from a severe *liquidity shortage for several* months, banks ended the year by lending to 80 per cent of their deposits, instead of the allowed maximum of 85 per cent. This was due partly to an increase in Government deposits as those placed by the private sector were exceeded by the credit it received, OR 156m against OR 173m, whereas they *were equal at around OR 120m* at the end of 1976.

Construction and trade, two of the main sectors absorbing bank finance, have undergone a relative depression, but imports at least appear to be reviving slightly as merchants rebuild inventories after running down surplus stocks. Loans outstanding for imports last December amounted to OR 80m, compared *with OR 59m the previous year,* an indication which is, however, distorted by the fall in the pur*chasing power of the Omani* Rial as it has fixed parity with the dollar. The construction industry's fortunes seem rather more anomalous as the loans for building and materials on com*mercial banks' books rose from* OR 24.5m in December, 1976 to OR 35m 12 months later, even though rents of residential property have plummeted and *the number of unlet units in the* capital area is said still to be well into the thousands.

Like all other sectors of Oman's economy, banking has grown vastly in scale in a remarkably short period. The British Bank of the Middle East *opened in 1948 and had the*

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SAUDI ARABIA

Tight controls

BY THE simple expedient of allowing no new banks to set up in the country the Saudi Arabian Monetary Agency (SAMA) has been able to keep a strict control on the 12 existing banks and the other Saudi-based financial institutions. Since 1973 and the huge growth of banking and finance activity in the Middle East, while other Gulf states like Bahrain and the United Arab Emirates opened their doors to foreign and offshore banks Saudi Arabia has kept those doors firmly shut and hoped that the 12 banks would expand to meet demand.

Demand has patently outstripped supply. While the banks have expanded, the proportion of banking activity to total money supply has hardly increased. A lot of the business has been captured by the money-changing houses outside the jurisdiction of SAMA or has been siphoned out of the country altogether to Bahrain and other money centres.

In some ways this has been Saudi Arabia's loss: it has missed out on the huge influx of investment and expertise that the banking sector in Bahrain has enjoyed, and SAMA sees business, which it would like to see handled by domestic banks, farmed out to bankers across the water. But the gain is that local banks have been able to develop under less pressure, and so has the entire Saudi financial system.

In the congested and fraught early years of the Second Development Plan, launched in 1975, an extra burden would have been placed on Jeddah, both the main port and the commercial and financial centre, by a race to establish a fleet of offshore banks, as in Bahrain. Saudi Arabia may have done well to pass the buck to Bahrain in those difficult days. The result has been, however, that the Bahrain offshore banking units (OBUs) have more or less become an extension of the Saudi banking system, beyond the direct control of SAMA but taking an ever-increasing share of the Saudi banking market.

SAMA's objective, in the face of this "poaching" from abroad, has been to broaden the capital base of the existing Saudi banks and to insist on increasing Saudi participation in the foreign banks on Saudi soil. "Saudi-isation" has been SAMA's declared policy for several years, and one by one the 100 per cent foreign-owned banks are turning into joint stock companies owned 60 per cent by Saudi interests.

The most recent Saudi-isation has been the Saudi-British Bank, which formally took over the assets and liabilities of its predecessor, the British Bank of the Middle East on 1 July. Three other banks had previously been Saudi-ised. The Banque de l'Indochine et de Suez became Al-Bank Al-Saudi Al-Fransi in 1977, the Algemene Bank Nederland became Al-Bank Al-Saudi Al-Hollandi in 1976, and the National Bank of Pakistan became the Al-Jazira Bank in July 1975.

In the first three cases the foreign bank retained a 40 per cent shareholding and a management contract for eight years. The remaining 60 per cent of the shares were spread between Saudi founder shareholders, members of the board, and subscribers from the Saudi public. In the case of the Al-Jazira Bank the foreign shareholding is only 35 per cent.

Six other foreign banks remain to be Saudi-ised. The most important of these is Citibank. There had been speculation that Citibank would pull out of the country altogether rather than be Saudi-ised, but it has just built a new head office in Jeddah, and negotiations for Saudi-isation are under way. The Banque du Caire has also said that it is negotiating, but the other four, the Arab Bank, the Banque du Liban et d'Outre Mer, Bank Melli Iran and United Bank of Pakistan have so far kept their plans under wraps.

Saudi-isation offers foreign banks two major advantages despite depriving them of 60 per cent of their profits: they are able to increase their capital, and they have the opportunity to open new branches throughout Saudi Arabia. Ideally, the result of Saudi-isation will be a gradual, regulated spread of bank facilities in the country, at the same time fostering banking skills among the Saudis themselves and giving the Saudi public a vested interest in the banks. The country's two wholly domestic banks, National Commercial Bank and Riyad Bank are also planned to become joint stock companies, selling 30 per cent of their shares to the public.

In effect, it may be some time before the banks are run mainly by Saudis. There is already said to be a problem in finding Saudi entrepreneurs interested in sitting on the boards of the new Saudi-ised banks.

A shift in emphasis may be felt when SAMA moves physically from Jeddah to the capital, Riyadh, later this year. The banking centre today is definitely Jeddah, and until this year Citibank was the only non-Arab bank with a branch in Riyadh. Both the Bank Al-Fransi and the Bank Al-Hollandi have now built Riyadh branches, and the Saudi-British Bank will surely follow. The Eastern Province, despite being the centre of the oil industry, is more or less a banking desert, with only a few branch offices there and the head office of United Bank, the smallest bank in the country. But Bahrain is just over the water, a few minutes by air, one of the fastest-growing financial centres in the world.

The money-changing houses compete with the banks for short-term financing business. Some of these houses are highly capitalised and far quicker and more efficient in their dealings than the banks. A private individual wanting to change money quickly would never go to a bank but would go to a money-changer, where sackfuls of riyals are handled every day.

The biggest institutions for medium- and long-term lending are the special development funds set up by the Government. These funds make capital loans for a nominal interest or "service charge" of around 2 per cent. The Saudi Industrial Development Fund finances industrial ventures, the Real Estate Development Fund makes home loans and loans for real estate projects, and the Agricultural Bank subsidises agricultural inputs.

There are, however, limits to the amount these funds may lend to any one project—for example the SIDF cannot supply more than half the capital requirements of a company that is less than 75 per cent. foreign-owned, and here there is a role for the predominantly private sector Saudi Investment Banking Corporation (SIBC), which began operating more than a year ago and has already lent to more than 100 projects with loans totalling more than SR 350m. To some extent it is taking from the commercial banks some of their longer term lending—which they may not be sorry to see depart. Hampered so far by its relatively small capital of SR 30m, the SIBC today (July 24) trebles its capital to SR 90m and will thus be able to increase its maximum loan size. Chase Manhattan, which has a 30 per cent stake in the bank, has the management contract.

Exciting

Import financing is the banks' main job, but the most exciting banking activity in Saudi Arabia is the financing of huge contracts awarded by the Government as the Second Development Plan progresses into its third year. The contracts require on-demand bid bonds, performance bonds and advance-payment guarantees to be put up by the contractor: for a SR 1bn contract the guarantee facility can be as much as SR 250m.

SAMA restricts the liquidity and lending ratios of the banks. Half the amount of any deposits over the limit of 15 times a bank's capital and reserves must be placed interest-free with SAMA. No bank, without special permission from SAMA, may arrange an individual loan or guarantee which exceeds 25 per cent of its capital and reserves. This means the banks are out of the big league when it comes to financing contracts the size of those now being awarded. Instead, they generally act as agents, on a small percentage fee, for foreign banks approved by SAMA. For sophisticated loans and guarantees, often requiring international syndication, the tendency has been increasingly to use the Bahrain market. Bahrain banks offer better interest on deposits than Saudi banks and they are a cheaper source of Saudi riyals, although the effect of competition from Bahrain has been slowly to close these differences. A year or two ago Saudi banks were offering only 1-2 per cent on six-month deposits, but that has risen a little now. Three-month money, which used to cost around 7 per cent, can now sometimes be found at 4-5 per cent.

David Shirreff

OMAN

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restricted market to itself until Chartered Bank established a branch in 1968. Since then another 18 banks have been granted operating licences, bringing the number of foreign houses to 14 and those locally incorporated to six.

It was decided some time ago to limit the number to 20 as the level of business did not justify any more newcomers, and it remains to be seen whether the efforts to expand the economy will lead to a relaxation of this policy. Meanwhile banks have been encouraged to open branches in the more remote areas of the country, instead of concentrating solely on Muscat and its environs, and as a result there is a rapidly growing network, including the southern region capital of Salalah, where the Central Bank is soon to open an office. The town already has its own clearing house and currency sub-chest, for which the largest local bank, National Bank of Oman, is agent.

Since replacing the Oman Currency Board in April 1975, the Central Bank has gained considerable ground as the Government's and bankers' bank, backed up by a wide-ranging banking law enacted in 1974. As well as issuing licences to commercial houses, conducting annual inspections and publishing comprehensive economic and financial data, the Central Bank is in the process of setting up a central record of risks and plans shortly to start offering credit facilities to banks operating in the Sultanate. It is also currently drawing up new regulations defining net worth in the context of the Oman system (last year the maximum loan permitted to any one customer was raised from 10 per cent of a bank's net worth to 20 per cent), capital adequacy and reserve requirements, now standing at 5 per cent of demand plus time deposits.

The central authority has an impressive track record of maintaining a stable banking sector. On two occasions it has changed the lending ratio to achieve an expansion or contraction of credit and last year intervened twice to bring down the spiralling interest rates by obtaining bankers' voluntary agreement on maximum levels, since January 1 standing at 9½ per cent on time deposits and 11½ per cent on loans. Furthermore, it has ruled that all local banks must be more than 50 per cent Omani owned.

There are two new institutions whose impact on the commercial banking community will remain unquantifiable for some while—the Oman Housing Bank, which began operating earlier this year to finance residential property owned by Omani nationals, and the Oman Development Bank. This is now being set up with a capital of OR10m, forty per cent of it held by the Government, 40 per cent divided between the Kuwait Foreign Trading, Contracting and Investment Company, the Arab Bank, British Bank of the Middle East, Chartered Bank, Grindlays Bank and National Bank of Oman and the remaining 20 per cent to be offered on public subscription to Omanis.

It will grant medium- and long-term loans for projects falling into five income earning categories, industry, agriculture, fisheries, oil and mining, and coupled with several new regulations that have come into force recently, should help to boost the private sector, which, it is felt in some quarters, has not invested sufficiently in its own country.

It is impossible to talk in absolutes when predicting the pace of Oman's economic development as the country is still reliant on one product for most of its revenue and is vulnerable to many external influences. Nevertheless, the fact that equilibrium appears to have been restored to Government finances and a number of measures introduced to ensure it lasts, augurs well for a "no-crisis" future, or at least one where controls can be exercised promptly if problems arise.

Barbara Casassus

UNITED ARAB EMIRATES

Business picks up

THE UAE has largely recovered its economic stability after the upheavals of 1977. Business is beginning to pick up, but at a more sober pace than before. The situation in property is far less alarming than it was, though there are still many unoccupied or unfinished buildings. Above all Government spending is so far continuing to increase.

The boom that ended last year was fuelled both by Government spending and by private sector activity, much of it highly speculative, and owing much to the existence of about 50 different banks in the Emirates. The collapse of the private sector boom was almost inevitable given the smallness of the consuming market and the over estimation of demand for property. It was finally knocked on the head by the action of the UAE Currency Board last May in not bailing out two banks which got into difficulties, and then following it with a number of measures which sharply curbed credit and liquidity.

The Currency Board's measures emphasised the power the Abu Dhabi-based institution could wield and thereby stressed the economic interdependence of the states in the federation. But it has had the effect of making the Emirates, other than Abu Dhabi, more reluctant to see further economic integration: if anything, they have become more determined to preserve their independence.

Appeals

Abu Dhabi has resisted appeals from some groups in the federation to pump more cash into the economy at a very fast rate in order to re-ignite the economic boom that ended last year. But in effect its spending could increase this year by about 30 per cent. It is likely to spend about Dh8bn in the Emirate this year, more than ever before, and though it has said it will not commence any new projects next year and only a few in the two succeeding years in order to peg development spending at Dh6.9bn, that figure still represents a considerable increase compared with last year's actual figure of Dh4.3bn and this year's budgeted sum of Dh5.3bn.

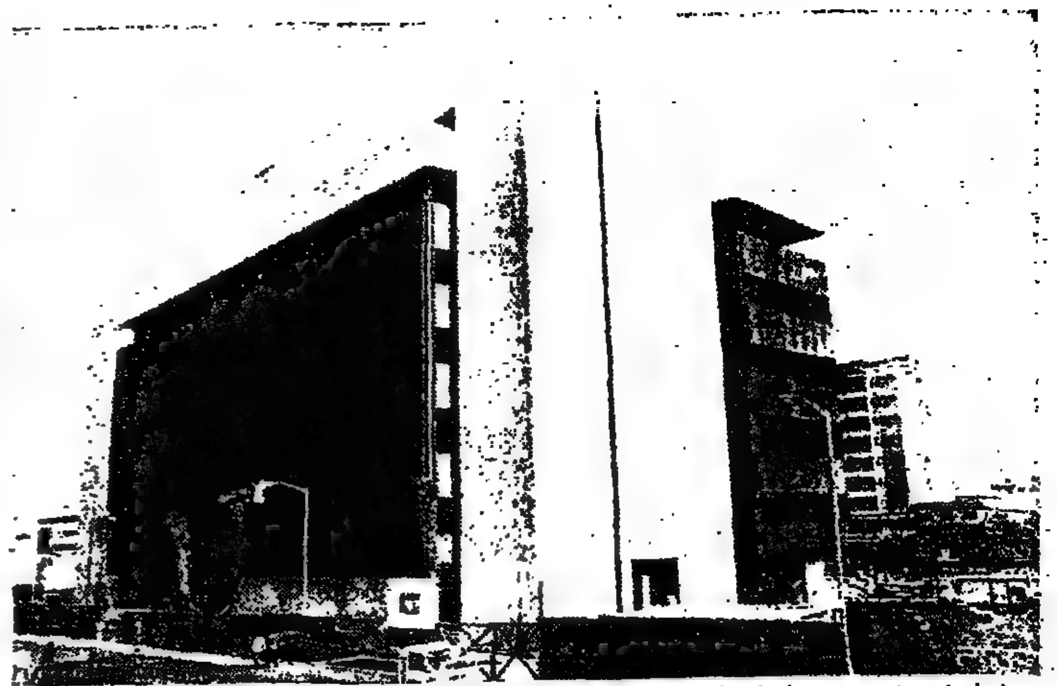
Though the future is left somewhat vague after 1981, it seems likely that by that time Abu Dhabi will have completed most of the infrastructure it can reasonably need, and since it is scaling down its large-scale industrial developments at Ruwais there may not be much left to spend large sums of money on. That may be just as well, because not only is the Emirate having doubts about the number of immigrants it wants to have, but its spending is coming closer to its income. Last year the Emirate had an income of Dh 21.6bn, of which Dh 5.4bn was spent by federal ministries, between Dh 6bn and Dh 7bn within the Emirate (combined development and recurrent spending) and about Dh 4bn on aid, leaving a surplus estimated at between Dh 4bn and Dh 5bn to be transferred to the Abu Dhabi Investment Authority.

This year, however, income is likely to be at least 12 per cent down because of the drop in oil output. The Federal budget has been agreed at Dh 10.5bn, and although not all of that will be spent actual disbursements are likely to be higher than last year's and will probably depend almost entirely on Abu Dhabi for funds. With the Emirate's own spending at Dh 8bn, and aid as usual taking about Dh 4bn, the surplus is likely to be slender this year and could disappear altogether next year.

Not surprisingly, therefore, the Emirate is fairly deeply rethinking its strategy, and the balance of opinion seems to be firmly in favour of continuing to build up a surplus. The Abu Dhabi Investment Authority, which handles the Emirate's "pension fund" of overseas and regional investments, is believed to stand at between $5bn and $6bn.

While Abu Dhabi's domestic spending will assist the UAE economy, the federal budget will also be a factor. Its implementation rate has gradually risen from 1976, when Dh 2.5bn was spent, but it remains an inefficient motor of growth, and is heavily dependent for the supply of funds on the goodwill of Abu Dhabi towards the other Emirates, whose contributions to the federal budget have been minimal (though Dubai is believed to have paid over Dh 400m to Dh 500m last year).

There has been no let-up in Dubai's spending, which should be about Dh 1bn up at nearly Dh 5bn this year—excluding projects financed out of the Emirate's substantial borrowing. The majority of the spending is going on the developments at Jebel Ali, where a new port and industrial centre are being created. Some projects there have been shelved, but the basic concept remains intact, even if the 74-berth port looks excessively large set against the amount of industry so far attracted there. However, this year is likely to be the peak year for development spending, with a large number of projects coming on stream either this year or next.



The new UAE Currency Board building in Dubai is being constructed by Costain International.

With the Emirate expected to have an oil revenue this year of about Dh 5.3bn, it may have a marginal surplus after debt servicing. The Emirate's outstanding loans total about £340m in sterling and in dollars) about $1.1m. Next year and the year after are likely to be the peak years for debt servicing — totalling about $400m each year — after which this provision will decline gradually. So, however, will oil production, unless there are new discoveries. So while the ratio of debt service costs to oil revenue is likely to be about 30 per cent next year and in 1980, there is no reason for real concern, provided there is no disaster in the oil fields and no major new spending commitments.

Compared with Abu Dhabi, Dubai and the federal budget, the other Emirates provide relatively little economic stimulus to the UAE's economy. Spending in Sharjah is running down through shortage of money, though with borrowed funds it is working to complete most of the projects now in hand. Its latest $200m borrowing had to be guaranteed by Abu Dhabi. Its hopes of becoming a financial centre have effectively collapsed.

Both the banks and the private sector in general are now accustomed to the more sober pace of development. The weaker and more exposed businesses, which were hit by the collapse of the boom, mainly went under, leaving the better established and stronger companies behind. In the banking sector one of the two banks which closed last year, the Janata Bank, has now reopened, having been refinanced, while it is expected that the other bank, the Ajman Arab Bank, will in due course reopen, but under a new name and with different management.

The banks' principal concern is the extent to which some local contractors are in debt to the banks because of their clients' failure to pay up. The policy banks are generally pursuing is not to bankrupt the contractors who owe them money out of fear of setting off a chain reaction of bankruptcies, which would ultimately be self-defeating. It is a moot point whether or not the banking sector is overhung with property either complete or nearing completion which will never find tenants. The consensus is that most buildings should eventually cover their costs, but less quickly than had been hoped by their owners. In both Abu Dhabi and Dubai there are factors causing continued property demand, but the new properties can only be completely occupied if older, less well-furbished apartments either fall into disuse or accept far less wealthy tenants.

The Currency Board has taken some fairly marginal measures to lift credit restrictions by reducing the banks' reserve facilities and by raising the limit on dollar swap facilities. But after the change of management just over a year ago the Currency Board has curtailed some of its activities (mainly in lending to other Emirates for development and infrastructure projects) and has maintained a lower profile under its managing director, Mr. Abdul-Malik al-Hamar. It is taking a fairly unaggressive attitude in obtaining the compliance of banks with the regulations brought into force last year on reserve requirements, deposit ratios and capital size. Some of the locally incorporated banks must raise money from their shareholders, and others are hampered by their involvement in property.

But while the Currency Board, with the assistance of two advisers seconded from the IMF, is preparing to become a central bank, the prospect of that actually taking place has receded somewhat because of political disagreements among the Emirates. They fear loss of control of their development, since they would lose some control over their foreign exchange resources under the draft law. There are other threats to the existing system of bank ownership in the UAE, while the Currency Board's desire for rationalisation of the banking system by encouraging mergers between some of the smaller banks cuts at the family ownership basis of many institutions.

Although the introduction of Restricted Licence Banks (RLB's) in the UAE (institutions dealing in foreign exchange and other operations but not offering dirham account services to residents) got off to a slow start; both the investment department of the National Bank of Abu Dhabi and the Abu Dhabi Investment Company are becoming increasingly involved in regional and international borrowings.

J.B.

EGYPT

Long way to go

ON PAPER, the banking sector looks to be one of the success stories of President Sadat's open-door economic policy. Around 70 foreign banks and investment companies have taken advantage of Law no. 43 *of 1974 encouraging foreign* investors to open offices in Egypt. Many of them are concentrated in the leafy crescents of Garden City or the select avenues of Zamalek. Some of them, especially Chase National Bank and Citibank, are doing handsome business. But the benefits in terms of Egypt's economic development are not always clear.

The chief benefits to the economy of the arrival of foreign banks have been to shake the four Egyptian state-owned banks out of their complacency and give them a push in the direction of the 1970s; and to help channel money into the banking system—and thus the modern economy—which would otherwise remain outside it, either "under the mattress" or in the pockets or overseas bank accounts of Egyptian workers abroad.

The effects of foreign banks has thus been most noticeable on the retail side. People have flooded into the foreign bank branches and the many joint-venture banks set up by Egyptian and foreign institutions to open accounts, so much so that foreign names are now to be seen on walls in Aswan, as well as Alexandria, Port Said and Cairo. The foreign banks in Egypt have introduced their own cheque-clearing system to eliminate the delays and costs of using the state-sector system. Cheques are now used more widely among ordinary Egyptians than they were previously, and more cash is entering the banking system.

Because overseas branches of Egyptian banks are very few (and one of the main ones, *Banque du Caire's operation in* Saudi Arabia has just been "Saudi-ised" into a new bank, *majority owned by Saudis*), the foreign banks also have a major role in channelling remittances from Egyptians employed abroad—in the Gulf, Europe and the U.S.—back into Egypt.

The four Egyptian commercial banks used to be restricted by law to banking for different sectors of the economy. Even though these restrictions have been lifted, they have found it difficult to adjust to competition among themselves, let alone with the foreign banks. This state of *affairs is not the result of a lack* of very qualified or able Egyptian bankers. Many are highly regarded abroad—in the Gulf or in positions with Arab-foreign consortium banks.

The system is the main villain: the bureaucracy and overstaffing that smothers all aspects of Egyptian economic life. In addition to a crucial burden for banks of poor telecommunications — telephones and Telexes that are periodically out of order for days on end and which the foreign institutions seem to find ingenious ways of overcoming.

Banque Misr has taken a major step towards offering some competition to the foreigners by taking on western management consultants and spending $8m on a computer. *But the bank, along with* Banque du Caire, National Bank of Egypt and Bank of Alexandria, *is still* at a major disadvantage in not being able to offer competitive salaries to stem the drain of qualified staff to the more highly-paid foreign and joint-venture banks; nor having the freedom to operate a completely commercial interest-rate structure. This has been revised under the terms of Egypt's agreement with the IMF for a $720m stand-by credit, but it is still fairly rigid. Domestic interest rates have gone up an average of 1 per cent in the past month and are due for a further *rise of the same amount by the* end of the year, when the parallel and official rates of exchange for the Egyptian pound are also due to be unified. But the state banks' main area of business remains financing the public sector, with which foreign banks are restricted in their dealings.

Inviting foreign banks to return to Egypt after they had previously been closed down or nationalised was not popular at *the time President Sadat pro*posed it in 1974. It was his friendship with David Rockefeller, head of the Chase Manhattan Bank, that was one of the main influences on his policy. It made sense in that, in order for a healthy private sector to grow, both foreign currency and a much *wider* range of services than the domestic banks could provide would be needed. Foreign banks, especially the American ones, were in the best position to provide these. Manufacturers *Hanover* Trust was the first U.S. bank to take advantage of the relaxation of Government policy in April, 1975, when it opened the first and only so-called free zone foreign currency branch—that is, a branch which deals only with non-residents or clients based in free zones in Egypt. Since then, a host of "onshore" foreign currency branches (ones that can deal with residents as well as non-residents in foreign currencies), joint ventures and representative offices have opened at regular intervals.

Of the first four joint-venture banks to be set up, three involved American banks. Chase National Bank, combining Chase (49 per cent) and the National Bank of Egypt (51 per cent), has turned out the most successful. Annually adjusted profits registered a 90 per cent rise in 1977 to over $4m. American Express, Bank *of America and* First Chicago are among the other U.S. institutions involved in joint ventures with Egyptian banks. Citibank, in keeping with its policy of maintaining 100 per cent control of its operations wherever possible, opted for a foreign currency branch onshore, and is doing thriving business.

European banks were slower off the mark. Barclays was the first in 1975—surprising because it was still on the Arab boycott list at that time—with the Cairo Barclays International Bank, established with Banque du Caire. Since the equity split was 50/50 and not 49/51, the new bank was limited to operations only in foreign currency. Members of the Europartners group became shareholders in the Misr International Bank along with Egyptian partners. Recently French banks—Paribas and Societe Generale—have been the main source of new ventures with Egyptian counterparts.

The most recent trend has been the formation of several institutions with shareholdings *held by Egyptians working* abroad. The Nile Bank, for instance, brings together Egyptians at home (25 per cent) and those working in Saudi Arabia (75 per cent). Egyptians working in the UAE *are 50 per cent shareholders in* the $10m Delta International Bank. The Alexandria Kuwait Bank International and the Delta International Bank have been formed along similar lines.

The authors of the foreign investment law intended that the arrival of foreign banks *would fill the gaps in project* and corporate finance left by the state Egyptian banks. But so far this intention has been largely disappointed. Only the Misr International Bank of the banks licensed since 1974 holds a commercial banking licence. The others are theoretically supposed to carry out investment banking functions. In practice, the only ones that do are the Misr-Iran Development Bank and Cairo Barclays International, together with the two multi-national Arab banks long established by separate acts of the Egyptian parliament, Arab African International Bank and *Arab International Bank.*

There is no shortage of foreign exchange in the economy, as remittances from workers abroad of some $1.5bn last year (with more projected in 1978) show. These funds are *fed into Egypt through the* parallel exchange market. A further substantial amount of foreign exchange enters the country through the "grey" market, which is neither actively encouraged nor discouraged by the Government but which many bankers are un*willing to recommend to clients* as a source of exchange because of the uncertain legal position.

The availability of foreign exchange has not, however, resulted in much of it finding its way into productive projects in Egypt.

This is perhaps partly because of the difficulty of assessing credit there. Many Eurodollar credits on small projects are still advanced at rates of 2-3 per cent above the London inter-bank offered rate. A lot of bankers would argue that any risk that commands pricing as high as that should not be done in the first place.

Brian Thompson

ALGERIA

Better prospects

IN ALGERIA the past 12 months have been dominated by gas. The first shipments of liquefied natural gas from the large plant at Arzew in Western Algeria to the U.S. were symbolic in more ways than one.

First they confirmed that the state hydrocarbons company Sonatrach had mastered the technical skills of an industry which is often operating at the *frontiers of technology*. Foreign help there has certainly been—and some delays—but considering the size of the project, the largest LNG plant in the world, Algeria could afford to be proud of the result.

The fact that the shipments of gas were destined for the U.S. *is also remarkable*: the two countries seldom see eye-to-eye on any issue of international importance, but they have been co-operating increasingly on a whole string of projects, particularly in the field of energy.

Financial links with other countries are growing as a result. Eximbank, which had no exposure in Algeria at the beginning of the 1970s, now ranks the country as its sixth or seventh largest customer and is prepared to double that exposure to $1.6bn if the contracts currently being *negotiated* go through. The Algerian leaders have always drawn a firm line between politics and business. As it is, for all the Marxist rhetoric used in the newspapers and in many public speeches, Algeria's interests are what really count.

The industrial base the country is building needs western technology and with French interests losing ground, the U.S., Japan, West Germany and Italy have been picking up many contracts. Links with Eastern Europe are far less important, except when it comes to weapons.

Algeria's leaders believe that building a strong economic base is the best contribution they can make to the Third World countries, and they work hard at maintaining their status as leader of all that is radical among those countries.

Gas really is the crux of the matter. The country's oil will run out before the century, hence the need to develop the other energy resources. Algeria has large reserves of natural gas but took a gamble on going ahead with the development of these resources back in the 1960s when the price per btu made that gamble look risky. When the price of oil moved up, gas followed, albeit more slowly. The deliveries of gas for the U.S. which leave Arzew today are priced very low under contracts negotiated years ago. In recent years the price of gas per btu has increased considerably and the country stands to gain much in the future.

Algeria had until recently been fairly reluctant to provide bankers and outside creditors with much up-to-date information on the country. A change of tone came this spring when Sonatrach published a report on the "Hydrocarbon Development Plan of Algeria—Financial Projections 1976-2005." prepared by the company together with Bechtel of California. The report is itself based on a De Golyer and MacNaughton "Report on oil, gas, condensates and LPG reserves of Algeria."

Inflow

The Sonatrach-Bechtel report says that *if developments* in the gas sector, in particular, go according to plan, the net foreign exchange inflow to Sonatrach over the next ten years will oscillate between $8bn and $9bn every year. Last year that figure was just over the $5bn mark. Costs, however, will be incurred over the next eight years for the most part.

While about two-thirds of the foreign currency *Sonatrach will* need is expected to come in the form of export credits, the rest will have to come from the international banks. In addition to Eximbank's plans to double its exposure in Algeria, the Japanese export credit institution will have no problem in raising its ceiling so long as Algeria continues to purchase so many capital goods from Japan. With Italy and West Germany there should be no problem, while with France the situation still seems to be that Coface has more credit available than the Algerians wish to take up. This is the result of the cooling of the relations between France and Algeria which has taken place in the past three years. The UK's ECGD, which has shown itself the most cautious on Algeria in recent years, appears to be slowly changing its mind and taking a more optimistic view of the country's future.

Sonatrach is currently negotiating for over $1bn worth of credits in the international financial markets. Sentiment in the market has turned round in recent months. Last year Algeria had great difficulty in raising a few loans and was unable to get finer terms despite the fact that the market was softening. Now the picture is much brighter. A number of recent loans, some of which have not yet been completed, have boasted spreads of 1⅛ on maturities of eight to 10 years. In some cases maturities have stretched beyond 10 years; this is of great importance to Algeria as the bunching of repayments occurs between 1979 and 1982.

The latest loan announced for an Algerian borrower carries a spread of 1¼ for part of the maturity, the lower spread for an Algerian borrower in the current cycle. Three features of this operation, a $100m seven-year loan for BNA which is being arranged by Gulf International Bank, are of interest. The majority of the banks in the management groups are Arab institutions; the Arab Monetary Fund is present in a management group for the first time, and the borrower has agreed to a penalty clause for prepayment.

So it looks as if Algeria is going to be able to raise the $1bn plus it needs from the international markets this year without any real difficulty. For the first time in two years relations between Algerian borrowers and the financial mar*kets appear unstrained. Recent* figures on Algerian debt and projected debt repayments must have satisfied many of the bankers; the figures look better than those published last year and are the most precise to date.

Francis Ghiles

LEBANON

Getting back to normal

CONTINUING instability and uncertainty in Lebanon have curtailed banking activity over the past four years, and there is still no reason for undue optimism about the immediate future.

A few weeks ago, and for the first time since relative peace returned to Lebanon in November, 1976, an international loan syndication was sealed in Beirut for the Board of Reconstruction and Development (BRD), in charge of rebuilding the country after nearly two years of civil war.

The $150m loan, lead-managed by the Bank of America, was regarded as an important sign of confidence in Lebanon's free-enterprise economy despite the painful setbacks suffered in the past decade—both domestically and on the broader Middle East level. These included the intra bank crash of 1966, the Middle East wars of 1967 and 1973, and the civil war, which lasted 18 months.

Undoubtedly, there is something special about a banking sector that could survive all these crises. The Lebanese pound, protected from speculation, held up remarkably well despite the civil war and subsequent destabilising events, thanks to the conservative policy of the central bank, which has insisted on preventing it from becoming a reserve currency or being widely negotiated.

Until late 1975, Beirut was the unrivalled financial centre of the Middle East where western banks scrambled for a piece of the petrodollar cake. Being a natural magnet for Arab funds, Beirut attracted foreign currency deposits to the tune of $4bn.

But the civil strife in subsequent months obliterated that image of the Lebanese capital. Several banks located in the battle zone in Central Beirut had to close down, others managed to set up temporary offices to serve their clients in safer areas, and still others moved their headquarters outside the country altogether. The majority of Lebanon's 74 commercial banks were forced to scale down their operations to handling current and deposit accounts.

Since reopening in January, 1977, no significant change has been made. Banking operations remained restricted to small-scale business such as receiving deposits, extending short-term loans to reliable clients, overdraft facilities to traders, letters of credit and so one.

Pre-war operations involving large amounts of money, foreign exchange dealings, loan syndication and other forms of wholescale banking are kept at a minimum, to say the least.

On the other hand, this situation has produced surplus liquidity in excess of L£14bn (around $650m), including reserves. Bankers strongly reject the popular charge that their credit policies are over-conservative, or that they have a passive attitude towards the Government drive for the reconstruction of the country.

Several bankers have defended their policies on the following main counts: (a) The uncertainty of the situation in the country; (b) the absence of thoroughly studied and economically feasible projects; (c) the reluctance of many businessmen to commit themselves to new credit lines; and (d) the still unrecovered loans extended before the civil war and which have since been overdue.

However, the Lebanese banking sector in general has responded favourably to Treasury bonds with short and medium maturities issued during the past year to raise funds for the government. So far, nearly £1bn has been raised in this manner, and in most cases short-term maturity bonds were often oversubscribed, indicating the banks' conservative policies.

Damaged

Few banks have extended credit to reliable clients whose business had been damaged during the civil strife. The basic criteria used for credit extension in such cases were the size of the damage and the prospects of resuming operations on a scale large enough to ensure repayment of the loan.

But as a whole, bankers find little risk in financing enterprises with a rapid turnover and where returns on investment are inherently short-term. Specifically, importers of foods, raw materials and non-durable goods find it relatively easy to secure bank credit to finance their activity.

Occasional disturbances in the country over the past couple of years have brought about some structural changes in the Lebanese banking system, with foreign-owned banks considerably reducing the scale of their operations, applying a tight credit policy and imposing a minimum on deposits.

Temporary branches that were opened during the civil war appear to have acquired a permanent status, and their future is still being considered by the authorities. Normally, no new bank or branch of a bank can be opened without a prior approval by the Finance Ministry and the central bank.

Government legislation has been passed regulating the opening of new banks in post-war Lebanon. The main feature of the legislation is that the central bank is given almost absolute powers to decide on new bank licenses, new branches, changes in any bank's by-laws, and merger of banks.

Another feature is that the minimum required capital of a new bank should not be less than £15m (nearly $5m), of which £4.5m would be deposited with the Lebanese Treasury for as long as the bank continues to operate in Lebanon. Previously, the minimum capital required was £3m.

A third feature is that foreign banks (of which there are 12) are now required to accumulate reserve funds by cutting 10 per cent of annual net profits on their operations in Lebanon. The same applies on Lebanese banks, except that the 10 per cent is cut from their net profits on their overall operations inside and outside Lebanon.

The new legislation, passed last year, came after a ten-year moratorium on banks had expired. Earlier this year, licences were given for the establishment of three new banks in the country. Under the money and credit law, they have six months to set up offices and start operating.

In an attempt to invigorate the banking system, the Government of Prime Minister Selim al Hoss, himself a banker-turned-politician, passed further legislation setting up a free banking zone whereby non-resident foreign currency accounts are exempted from taxes on interest earned.

Furthermore, the government has established a number of new institutions to enhance the recovery process under a 12-man board for reconstruction and development, headed by Dr. Mohammed Atallah (a banker). An agricultural credit bank, capitalised at L£50m (around $17m) was also set up. It is 50 per cent Government owned.

A similarly supported Housing Bank was established to finance construction, repair and improvement of housing in the country. It is also capitalised at L£50m and the Government has a 20 per cent stake in it.

The law governing the establishment of specialised banks has also been amended. The new amondment raises the capital requirement for such banks from L£15m-L£30m, but exempts the new banks from paying taxes in the first seven years of their operations. However, they are still restricted by the two-year minimum deposits they are allowed to accept.

Tewfik Mishlawi

JORDAN

Economic boom

BANKING AND finance in Jordan continue to be dominated by an overwhelming inflow of both private and public funds from outside the country, but there has been recent success in building up domestic institutions that are starting to generate the capital required to help Jordan attain its overall goal of economic self-sufficiency.

The greatest obstacle to the development of a sophisticated financial sector in the country has been Jordan's unenviable position in the eye of the Arab-Israeli conflict, with all the ravages and threats of conflict that this brings with it. Few investors would place much confidence — let alone their money—in Jordan during the 1950s and 1960s, a situation that endured after the 1967 war and the 1970 internal Jordanian-Palestinian fighting.

But a sustained economic boom based on a degree of internal control and stability that now goes unchallenged has revitalised Jordan's overall economic growth to the point where gross domestic product in real terms has been growing at an average rate of nearly 10 per cent during the past five years. The fuel for this performance has been money from outside the Kingdom, and from the private sector in Jordan.

This is dramatised by two pertinent counts—over half the projected JD 765m in investments in the current five-year plan is to come from the private sector, and most of the Government's share of investment is anticipated from foreign concessional loans; and of this year's state budget of JD 372m, only half will be met by domestic revenues, with the other half coming from direct foreign budget support and international development loans.

While this might worry any other country, it does not worry the Jordanians much because they have lived with this sort of situation ever since the Hashemite Kingdom was created about 50 years ago.

The five-year plan now in progress aims slowly to close the gap between state spending and domestically generated taxation and other revenues, but it will be at least a decade or two before Jordan can hope to finance itself in both the public and private sectors.

Parallel to the huge state dependence on foreign financing, private money continues to flow into the country on a large scale. Remittances from the 300,000 Jordanians working in the Middle East oil states amount to about JD 200m annually, while tourism revenues have also continued to rise to last year's total of JD 95m.

It is this comparatively large-scale inflow of funds that has offset the country's chronic trade deficit to maintain an anomalous surplus on the current account balance. Last year's surplus was about JD 5m.

The Government's awareness of its vulnerability on this score is reflected in its policy of maintaining large reserves of gold and foreign exchange. These totalled JD 260m at the end of April of this year, and reach nearly JD 300m if one adds in gold and foreign exchange held by the commercial banks.

The annual deficit in the state's budget has recently been covered by increasingly active domestic borrowing on the part of the central bank. Total internal public debt stands at JD 110m, mostly in the form of bonds and Treasury bills.

The Government's external debt is relatively slight, at JD 148m, the bulk of it to foreign governments at long-term easy interest rates. Government-guaranteed debt totals another JD 50m and accounts for much of the $200m in Euromarket commercial loans raised by four state and semi-state institutions last year in Jordan's sudden move into the international capital markets.

Expected

More international commercial borrowings are expected during the next two years, particularly to finance Jordan's export-oriented and ultimately self-financing industries, particularly in the minerals sector. The country's debt service ratio is a low 6 per cent, and therefore recourse to the international market for more commercial loans is both likely and logical.

The real concern of the authorities during the present five-year plan that ends in 1980 is to develop domestic financial institutions that can play the main role in financing the country's development projects at least, if not to help the Government meet its annual budget as well by increased Government domestic borrowing.

Progress on this score has been registered in three main areas—the start of business of the Amman Stock Exchange, the establishment of four new commercial and investment banks with significant shareholdings by private and public interests in the Gulf oil producer states, and the rapid growth of the country's six specialised credit institutions, particularly the Housing Bank and the Industrial Development Bank.

But the financial sector as a whole remains far less sophisticated than other Middle East centres such as Beirut, Bahrain or Kuwait. There are no private company or corporate bond issues, for example, and the use of certificates of deposit is also unknown in Amman.

The 15 commercial banks concentrate on financing short-term trade, but this is expected to change now that the first investment bank has been established, with two more finance companies expected to open later this year as well, according to central bank sources, who note the development with satisfaction.

But the ten-year development bonds issued by the central bank do not have a secondary market, thus holding up the development of an active bond market, though the nascent stock exchange plans to list bonds in the very near future: this might encourage some corporations to use bonds as a means to raise money instead of simply issuing new shares or borrowing short term from the commercial banks.

The commercial banks, after a spree in 1975 and 1976 of lending huge amounts of money for speculative real estate and commerce, have now settled back into a more normal lending pattern, with relatively more credit going to productive sectors such as industry, tourism and agriculture, and less to inflation-fuelling land and construction activity.

This has been partly the result of central bank intervention two years ago, using credit ceilings and deposit ratios to encourage the commercial banks to lend more for productive ventures related to five-year development plan projects; but those inflation-fighting central bank measures have now been lifted, as have most foreign exchange restrictions.

The brisk activity of the Industrial Development Bank, which has exceeded its projected lending by 30 per cent for the past two years, has started to open the eyes of some of the commercial bankers to the profitable long-term, export-oriented businesses that are being established in Jordan and which require increasingly sophisticated financial services. But the commercial bankers' traditional conservatism has proved almost impervious to change, and the steady profits to be made from financing trade has kept the domestic banking sector far behind the innovation-minded and longer-range thinking economists running the specialised credit institutions and the country's overall economic planning effort.

Rami G. Khouri

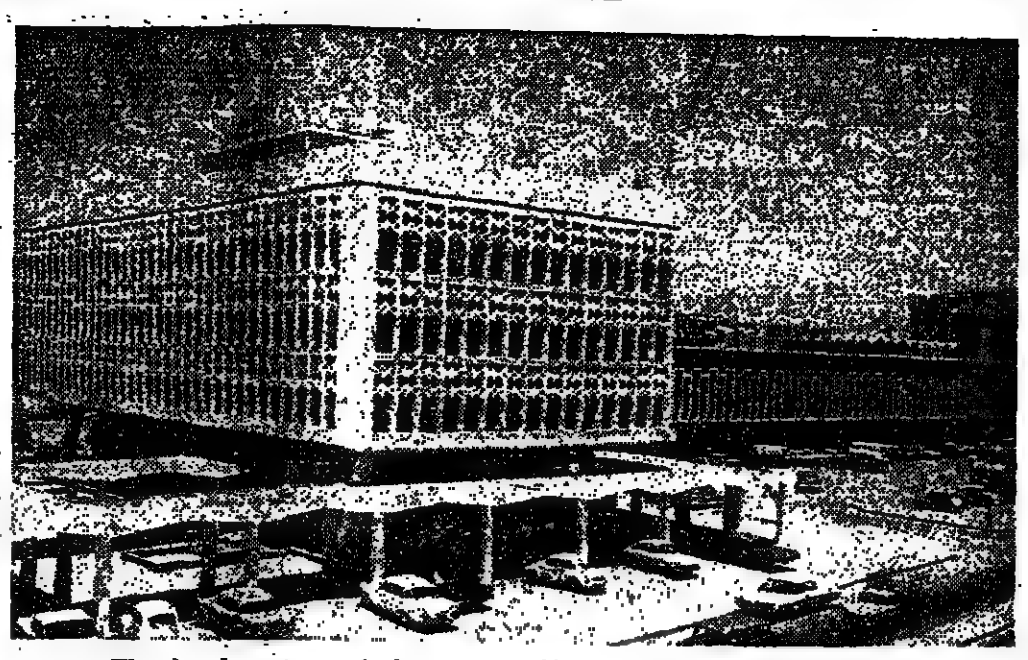
KUWAIT

Capital surplus

THE STRENGTH and dynamism of Kuwait's financial institutions reflect both a capital surplus which has existed for almost a generation and a high degree of professional competence on the part of the State's financial managers. Often described, with justice, as prudent, cautious and conservative, Kuwait's financial managers have also shown that they are innovative and that they can adapt their country's financial institutions to meet the changing market needs.

Being little more than a city State, and hence having no agricultural and no great industrial potential, Kuwait will have only its investment income and the income generated by its role as a financial centre when its oil revenues cease to be important. This fundamental fact has been at the heart of Kuwaiti policy thinking since independence.

As early as 1964, the Government of Kuwait set up the Kuwaiti Investment Office in London to manage the country's long-term investments and to place more liquid funds on the money market. Then in 1966, the Kuwaiti commercial banks founded the United Bank of Kuwait to manage and invest the growing quantity of funds which could not be absorbed domestically.



The headquarters of the Kuwait National Petroleum Company.

Share

Later in the 1960s the Kuwait Government took a 50 per cent share with the Kuwaiti private sector to establish the Kuwait Investment Company (KIC). This was followed by the Kuwait Foreign Trading and Investment Company (KFTIC), in which the Government has 80 per cent of the equity, and by the Kuwait International Investment Company (KIIC), which is wholly owned by the private sector. The three companies work to complement each others activities and cannot be regarded as competitors. The basic objective of each is to further Kuwaiti investment interests and to establish Kuwait as a money and capital market in its own right, though the emphasis of each in attaining this objective naturally differs. KIC divides its activities between direct investment in the industrialised countries and the domestic Kuwait capital market, KFTCIC has a similar split, though its external investments lean more towards developing countries (with a 23 per cent share in the controversial Kenana sugar project in Sudan, it is the second largest shareholder, after the Government of Sudan, and before the Arab investment company with 17 per cent), KIIC gives priority to the Kuwaiti capital market.

Developments in this local market are a real measure of the growing diversification of the Kuwaiti economy. Yet in spite of these developments, it cannot be forgotten that the Kuwaiti economy is still dominated by oil, which accounts for about 95 per cent of the state's income, 75 per cent of foreign exchange earnings, and 80 per cent of GDP.

A significant milestone in the development of Kuwait as a genuine international capital market was reached in the latter half of 1977. The ruling mercantile oligarchy realised that the existing legal basis of banking and finance in the state no longer reflected the needs of the economy or the demands of the growing capital market. The then existing banking law, law number 32 of 1968 "concerning currency, central bank of Kuwait and banking profession," did not give the Government, through the central bank, the muscle it needed to react to market developments. Accordingly, an amendment was promulgated in October, 1977 with the objective of strengthening and stimulating the local capital market and banking scene generally.

At the same time that the Government and the Kuwaiti financial community were debating the amendments to the banking laws, the financial community recognised that its wish to have an active market in Kuwait's dinar denominated bonds was being constrained by institutional shortcomings. There was a limited absorptive capacity for KD denominated bonds simply because there were too few participants. Only the five commercial banks licensed to operate in Kuwait, the four investment companies (KIC, KFTCIC, KIIC and the Industrial Bank of Kuwait), and the two development funds, the Kuwait Fund for Arab Economic Development and the Arab Fund for Economic and Social Development, could for all practical purposes deal in the market. There was no secondary market, no way for the smaller private investor to buy KD bonds and no liquidity. The market existed, but in name only.

Therefore, with the blessing of the Government, the Industrial Bank of Kuwait and the Kuwait International Investment Company set up the Arab Company for Trading Securities (ACTS) early in 1977 as an institution to create an effective market in bonds and other KD denominated securities.

The existence of a genuine market, encouraged by the necessary changes in the law, caused Kuwaiti banks to issue a new form of marketable security, medium and short term certificates of deposit. The move was welcomed by local banks in Kuwait, because, in addition to having a stronger and more flexible KD market, these banks could acquire longer term maturities for their liabilities and thus lend longer. The original issuers of short-term certificates of deposit (known as "tap CDs" in Kuwaiti financial jargon) and medium term certificates ("tranche CDs"), the Industrial Bank of Kuwait and the Gulf Bank, have been joined by others, and short and medium term money has become as important a part of the Kuwait capital market as the market in KD bonds.

Diversity

Thus ACTS has been able to operate in a market which has considerable diversity. Initially acting as a buyer of any KD bond that was on the market, ACTS soon became a seller, for every bond and certificate of deposit bought was readily saleable. Any Kuwaiti with liquid capital is a potential buyer, given the shortage of alternative investment opportunities in Kuwait.

In addition, the formation of ACTS has given a considerable fillip to the KD bond market itself, and has made this market more genuinely international. Originally confined almost exclusively to Kuwaiti financial institutions, about half the institutions sharing in KD bond issues are now non-Arab, simply because foreign financial institutions know that they can buy and sell KD bonds whenever they wish. Given a falling dollar, this becomes an increasingly important consideration. Whereas originally new issues of KD denominated bonds caught the headlines, there is now a new issue coming out on the average every few weeks, and there is a queue of borrowers wanting to issue KD bonds.

Maturities now range up to 12 years. The largest issue so far was a KD 12m issue for Sonatrach, the Algerian national oil and gas company, at 8½ per cent. So far, there have been 33 KD bond issues to a wide range of borrowers, which include the African Development Bank, the Spanish Autopistas de Cataluna and Autopistas del Atlantico, Bank Handlowy Warszawie, the Korea Development Bank, the Republics of Panama and the Philippines, and the Moroccan state industrial enterprises. In the first quarter of 1978 there were five new KD bond issues with a total value of KD 38m.

All 33 issues are now traded by ACTS above par, in contrast to the situation this time last year when considerably more than half were traded below par and when the market was extremely sluggish.

The Kuwait financial community learned a salutary lesson late last year and in the early part of this year when the government had to intervene on the Kuwaiti stock exchange to bail out a number of Kuwaiti institutions and private citizens left in embarrassingly exposed positions following the collapse of a classic stock exchange boom. In a society whose political strength depends on the support the ruling oligarchy receives from a wealthy middle class, the government could not afford a rash of bankruptcies. In any case, the sums involved, from the point of view of the government of Kuwait, were comparatively modest.

Intervention

Acting on recommendations submitted to it by a special finance committee, and under the provisions of the newly amended banking law, the Government let it be known that it was ready to buy shares of Kuwaiti companies at the lowest price quoted between October 1, 1977, and the date of the announcement in December. On the first day of the Government's intervention on the Kuwait stock exchange, its agent, KFTCIC, bought on its behalf some 150,000 shares valued at approximately KD 20m ($70m). The Government continued to buy shares until April 5 this year, when the law permitting it to deal in the market was rescinded.

An integral part of the Kuwaiti finance scene is the very large volume of international financial aid emenating from the state. Aid from Kuwait to lesser developed countries totalled $6.6bn (at current rates of exchange) between 1962 and the end of 1977, and has stood at 9.4 per cent of total GNP over the past seven years. Direct grants have reached a total of KD 740m ($2.7bn), almost all being to other Arab countries. Loans have totalled KD 625m ($2.3bn), with almost 76 per cent of the total going to Arab countries and 8½ per cent to African countries. In addition, Kuwait has contributed $1.6bn in subscribed capital to a number of international and regional organisations, including the Arab Fund, the World Bank, the IMF and the OPEC Special Fund.

Although an oil surplus state for many years, Kuwaitis look ahead to a day when dwindling oil revenues will equate to the growing financial demands of defence, internal security and the expenses involved in the day-to-day running of a modern welfare state. Already there is talk of some form of taxation of income from property and investment, but the obvious and political and practical difficulties in the way of implementing any legislation has caused the Government to shelve its tentative plans for the time being. Precise figures on the state's income from its investment and the income generated by its domestic money and capital market activities are difficult to obtain. The state in any case tends to understate the relevant figures and is understandably coy about publicising them. Yet there is every reason to believe that Kuwait will succeed, given continuing political and economic stability in the general area, in diversifying its economy to such an extent that the traditional mercantile flair of its citizens will find adequate outlet in an economy no longer dominated by oil.

John Townsend

The headquarters of the National Bank of Bahrain.

BAHRAIN

Regional centre

THE GULF state with the lowest income from oil has become a banking centre for the region. Bahrain, whose oil income is barely over $400m a year, has become home for over 40 major international banks which have formed an offshore banking market with $19.5bn plus of assets There are 18 commercial banks doing business within the island and a 19th is soon to start. As well as the numerous representative bank offices, a new category of bank — the investment bank — is also developing. The latest and most distinguished name to make the transition from representative to investment bank is the British merchant bank Kleinwort Benson.

Official figures indicate that almost all the banks established in the island are profitable. Setting aside the representative offices, which are not there to make money themselves, only the fairly newly established banks failed to make money during 1977, whether they were offshore units or commercial banks. The two locally incorporated banks that were in business during 1977, the National Bank of Bahrain and the Bank of Bahrain and Kuwait, made profits of $7.25m *and $4.5m, respectively*, while their assets increased by 17 and 25 per cent.

Figures for the profitability of the offshore banking units are not available for individual units, and the Bahrain Monetary Agency shies away from issuing a precise figure for the total. Earlier this year it revealed that all bar "three or four" of the 33 offshore banking units operating in 1977, when total offshore assets were $15.7bn, made profits. The agency said that average net interest earnings for the OBUs were ¾ per cent a year. Although the expense of operating in Bahrain had been much discussed in the early months of the offshore market it was found that average operating budgets were around $500,000 about half what had been expected.

Rival

An important factor contributing to the growth of Bahrain as a regional money centre was the restricted (and relatively inexperienced) nature of banking in some of the neighbouring states. At one time commentators believed that the United Arab Emirates, with its much greater oil income, surpluses and trade, could rival Bahrain. But the dirham crisis of early 1977, followed by the recession in Gulf business generally, concentrated bankerly minds on Bahrain. And in June last year, the National Bank of Abu Dhabi was granted an offshore banking licence.

The other possible candidate for the title of financial centre of the Gulf was wealthy Kuwait with its limited number of banks. But the banks are very tightly controlled by the Kuwaiti monetary authorities, and now many of them appear on tombstones in association with Bahrain based OBUs. "It is the dichotomy between official practice and commercial needs in some of the Gulf countries that has created business for us all," according to the manager of one of the early established OBUs.

Typical of this is the growing Saudi riyal business; the syndicated riyal loans made necessary because of the restrictions on lending by Saudi commercial banks, and the riyal exchange business that has arisen since the Kingdom decided to denominate all Government contracts in riyals. The syndicated loans in riyals organised by the OBUs are only an indication of the total, for many OBUs are big enough, and still sufficiently asset hungry, to lend quite considerable sums without syndication. The Bahrain Monetary Agency has estimated that, at the end of March this year, Saudi riyal assets were equivalent to around $2bn.

The scale of Saudi riyal dealing is now such that the Bahrain Monetary Agency is experimenting with a clearing house system for riyals. Communications with both Riyadh and Jeddah are still not very good. As yet, however, a formal central clearing system has not come into operation. The Saudi Arabian Monetary Agency itself is apparently rather worried by the growth in Saudi riyal dealings and loans as it wants to prevent the internationalisation of the Kingdom's currency.

While SAMA permission is not strictly necessary for a syndicated loan in riyals, bankers consider it tactful to inform the Agency of their plans. It has been said that SAMA has written to a number of banks requesting to be kept informed and that it has, in one sizeable case, indicated that a proposed syndication would not be approved. Few offshore bankers are dismayed by SAMA's nervousness, and most anticipate further growth in Saudi riyal business of all kinds.

Offshore

At the end of last year regional business accounted for over half the market with Gulf currencies (the Kuwaiti dinar is the other major currency used) touching the equivalent of $3.6bn. Liabilities to Arab countries in all currencies reached $8.2bn *compared to $2.6bn at the end* of 1976—though twice as many offshore units were in operation at end 1977 than end 1976.

In spite of the flurry of excitement about Saudi riyal business, the dollar is still all important to the OBUs. At the end of last year over 70 per cent of all liabilities were denominated in dollars. Liabilities to European markets had increased from $2.3bn to $5bn, and assets had risen from *$1.1bn to $3.9bn. Business with* the Asian dollar market based on Singapore and Hong Kong is also steadily increasing.

Virtually all the major world banks have established offshore units in Bahrain and all the main Arab consortium banks are present. Two of the Arab consortium banks, FRAB Bank and the new Gulf-Riyadh Bank (a joint venture between France's Credit Lyonnais and the Riyadh Bank) have incorporated themselves in Bahrain as Bahraini exempt companies. (Kleinwort Benson also formed an exempt Bahraini company to apply for its investment banking licence; the exemption is from having majority Bahraini shareholding.) The most conspicuous absentees are the Japanese banks, but one is said to have applied for a licence and its application to set up abroad is being proceeded by the *Japanese Finance Ministry*. The Bahrain Monetary Agency expects the next round of applications for offshore licences to come from major national banks associated with the region. The State Bank of India, for example, has an offshore unit.

The Gulf International Bank, which is headquartered in Bahrain and has just opened its London office, is becoming increasingly active in international syndications as it takes on more staff. GIB was set up in late 1976 and is owned jointly by the seven states of Saudi Arabia, Bahrain, The United Arab Emirates, Qatar, Oman, Kuwait and Iraq. The bank's authorised capital is $100m, of which $70m is paid up. The activities of GIB, and the other Arab banks (including Kuwaiti banks) in winning a number of recent syndication mandates by fine bidding has caused some mutterings among banks of other nationalities.

Applications for offshore licences are not automatically granted by the Bahrain Monetary Agency, which monitors the activities of OBU's very closely through monthly reports. The BMA, which reports directly to the Bahraini cabinet, also supervises the commercial banks—commercial banking licences have not been issued since 1975 (with the exception of that for the third locally incorporated bank), with the result that Bahrain is the only Gulf state in which the rapidly expanding Bank of Credit and Commercial International has not been able to set up.

The third locally incorporated bank is the Al Ahlia bank, which was set up with a capital of $10m last year. The BMA considered that there had been a sufficient increase in banking business for another bank to open and, it is hoped, not spoil the profitable picture of Bahrain commercial banking. The Al Ahlia, which has a management agreement with the Bank of America, is unlikely to be in business much before 1979, by which times the contract for the $1bn Saudi Arabia-to-Bahrain causeway may have been awarded, giving a necessary fillip to banking business in the island.

Last year and the first months of this year have been quiet times for Bahrain's commercial banks. Bahrain's own economic boom, which was slower to start than those of other Gulf states, peaked in 1976 when bank lending had grown by about 66 per cent and the money supply by 64 per cent. The trade slowdown became noticeable in the first quarter of last year, but some commercial banks are reporting an increasing letter of credit business in April and March of this year.

After the three locally incorporated banks, all the other commercial banks in the island are branches of major American European or regional banks. *The Continental Bank*, however, is a rather curious exception. It is a joint venture between the Continental Illinois Bank and private Bahraini shareholders which came into being before the offshore banking licences were created in October 1975. Had that licence, or even the investment banking licence, been available when the idea of the bank was first mooted, it might have taken either of those rather than the full commercial licence which it holds, as it was intended to concentrate on wholesale business. The Continental Bank *offers planning and development* services for large companies wishing to do business in the area, and it has financed a number of private ventures, including the successful and expanding Dayville ice-cream business.

There seem to be no nasty bankruptcies in the offing to damage banking profitability, though many a contractor and trader in Bahrain is finding himself in rather straitened circumstances this year, as last year. Certain hotel projects in the island have had to be refinanced after much bickering between bankers and shareholders (with a little assistance where appropriate from the Bahrain Government). Lending to the contracting industry continues to grow but much more slowly, some of the buildings that had to be financed during construction now have to be financed as they stand empty. Trade finance now accounts for about a quarter of all lending.

Assistance

In June this year the Bank of Bahrain and Kuwait, jointly owned by Kuwaiti banks and Bahraini private individuals, formally opened its commercial branch in Kuwait, the first "foreign" bank to do so. BBK has a technical assistance agreement with the American Chemical Bank, which has seconded general managers to both the Bahrain and the Kuwait-based banks.

Both the BBK and the National Bank of Bahrain are planning new branches in villages of the island as well as in the outer areas of the two main towns, Muharraq and Manama. The oldest established British bank on the island, the Chartered Bank, and the youngest, Grindlays, are also expanding their main premises, so business, while perhaps dull cannot be bad!

Doina Thomas

New hope for the innovators

By DAVID FISHLOCK, Science Editor

EMBARKING UPON technological innovation is something "almost suicidal." That is the view vented in conversation the other day by one of Britain's most innovative engineers—a council member of the Royal Society. Where, he asked, are the big engineering projects for which Britain was once famous? Where are the engineering research centres from which *might flow the ideas for a renaissance of the industry on* which Britain's past wealth was founded?

Where, in fact, is the incentive to innovate at all in a society which no longer sees better mousetraps as something worth trying for? Criticism of innovation—often couched in hostile terms—appears to attract much more attention than any news of successful achievement.

Even for an organisation which is sufficiently enthusiastic to be investing in innovation, there are quite formidable hurdles. First there is management itself, which must be persuaded to invest in the project. The more honest and diligent the innovator is in calculating the financial consequences of his proposal, the more easily management is likely to be discouraged. EMI almost abandoned the EMI-Scanner (which has earned over £180m for the company since 1971) because its inventor, Dr. Godfrey Hounsfield, worked out with a precision quite uncharacteristic of his breed just what it would cost EMI to tool up for, market and service his brainchild.

The second hurdle is the company's own workforce, which may be unwilling to accept the innovation, because it requires a different spectrum of skills, for example. The change-over in Britain from the time-honoured electro-mechanical telephone switch to all-electronic switches has been severely handicapped by the fact that the new systems will have little need for the large numbers of predominantly male skilled metal workers. Overseas companies which have steeled themselves to make the change have already picked up considerable international business in electronic exchanges. Moreover, *this is merely a foretaste of* what promises to be a flood of innovations built around the microprocessor.

Obstruct

Other hurdles which can obstruct an innovation long before the customer has an opportunity of judging whether he might buy it include Government in all its manifold forms—local and regional as well as national. British industry has suffered nothing at home quite so traumatic as British Petroleum's experience in Italy where its joint venture Ital-Proteine has been obliged to abandon a £40m protein-from-oil investment. Even though the Italian Government encouraged the venture, its regulatory authorities refused to accept even the assurances of the UN's World Health Organisation about the safety of the product. Imperial Tobacco and ICI were forced to watch impotently while a Government agency, the Health Education Council, attacked a genuine and Government-encouraged attempt to introduce a safer form of smoking material in which between them they had invested about £32.5m.

In many ways the most disheartening hurdle is the activity of people and organisations who make a profession of opposing innovation and industrial progress. All too often, it seems, to the innovator, those who can't do, oppose. The 17 objections raised against the proposed £600m reprocessing project at Windscale ranged from a diversity of different allegations about public safety to complaints about it as a financial investment and a source of employment. There were even complaints that it was an emotional *subject which if not abandoned* might cause some people to react violently. All 17 objections were overuled at the planning inquiry, but objectors have continued to protest vehemently—though still with no common agreement on why the project should be abandoned.

These are weighty matters on which the Government might do well to reflect as it prepares once again for what Sir Harold Wilson 15 years ago called "the Britain that is going to be forged in the white heat of the technological revolution."

This time an attempt to harness science and technology to *the Government's* industrial strategy is being made with less flamboyance and more sincerity. But once again the Government's message is that Britain's future in exports lies in technologically advanced processes and products.

The Department of Industry, spearhead of the Government's industrial strategy, has woken up at last to the fact that it has what Mr. Leslie Huckfield, one of its junior Ministers, calls a "great reservoir of scientific and engineering talent." It has, he estimates, 1,500 qualified scientists and engineers in its five industry orientated research centres, backed up by another 1,000 skilled technicians and craftsmen.

This impressive-sounding resource already has some in-house roles: helping to shape industrial policy for the Government, monitoring technological activity in Britain's main competitors abroad, ensuring that the Department of Industry is a well-informed customer as a major purchaser of technology to the tune of £1bn a year. Earlier this month, for example, the Department announced that it was spending £15m to encourage industry to use microprocessors.

But a novel and much more creative role is now to be thrust upon it. It is to be used more deliberately to help bring about Britain's second industrial revolution; to help invent and develop the new technologies the Government believes industry desperately needs to be using. As Mr. Huckfield politely puts it, in the past these laboratories have "assumed too low a profile."

Remote

Masterminding the new role is Dr. Duncan Davies, the former ICI research manager who, after a career in the chemical industry, joined the Department at 55 as its chief scientist and engineer. He is no stranger to the tendencies of research centres to become "ivory towers" remote from the activities they are supposed to be serving, and he now has the daunting task of turning laboratories with a long tradition of working for industry only if asked (which often meant never) into laboratories eager to excite industry with their ideas for innovation.

For example, Dr. Davies wants his research centres to become more involved in engineering problems. The National Physical Laboratory at Teddington has traditionally been the centre for many of the basic standards of measurement on which all industrial quality control is founded. But quality control — say, of machined parts—is increasingly depending on a direct feedback from the manufacturing operation itself. As Dr. Davies sees it, this is an area of advanced technology which the research centre itself must penetrate.

One of Dr. Davies' first moves has been to bring the research centres—previously essentially autonomous—into a close-knit group sharing their experiences and problems. The microprocessor—the microminiaturised computer around which new control systems for almost every kind of process and product will be designed in the next decade or two—is a prime example of a unifying theme.

Where in the past these research centres have been associated with innovation it has tended to be with products rather than processes. But British industry has been unreceptive to most of their inventions. There are those who believe, however, that Britain has long been preoccupied with the invention of products, lauding inventors and designers—of bridges, reactors, aircraft, hovercraft, brain-scanners, etc.—but has seriously ignored or underplayed the importance of manufacturing technology and processes. It is one of the lessons Japan has taught Britain with its meteoric success in innovative methods of manufacture and their impact on exports.

Mr. Bob Malpas, ICI's director of engineering and formerly a close colleague of Duncan Davies, distinguishes the two as the "what" and the "how" of engineering. When originally approached by ICI, says Mr. Malpas, "I asked what engineering was involved and was told: 'It is all engineering except what flows through the equipment'. When I saw the equipment I was quickly convinced and captivated, and so began a career dedicated to the 'how'."

Different

Mr. Malpas believes that principles now being evolved by the leading chemical companies such as Shell, BP, ICI, and some smaller ones such as Fisons, will lead to chemical and petrochemical plants radically different in size, appearance and energy consumption during the 1990s. His imaginative "plant-after-next" concept of chemical plant development, evolved in collaboration with ICI research chiefs, is already widely accepted within the company.

Dr. Duncan Davies, Chief Scientist and Engineer at the Department of Energy.

He points to advances in control engineering way ahead of either the chemistry or the mechanical engineering of process plant design today—advances which can keep chemical reactions under much closer control. Processes previously seen as too hazardous can now be contemplated with equanimity. (The clue here, of course, is the ubiquitous microprocessor, already finding its way into ICI plants.)

The result is that the processes will be carried out safely on much smaller plants for a given output. They will need fewer stages, far less dilution—less energy to keep materials moving. The evidence for this "intensification" of process technology is already apparent in some of the latest organic chemical plants coming on stream in Britain. It will be perfected in time for such ventures as the coal refineries and "coalplexes" Britain is contemplating for the day when North Sea resources dry up.

The "how" of engineering may have been underestimated by Britain's national laboratories but it has not been altogether ignored. At Warren Springs Laboratory near Stevenage, for example, the scientists working on a research contract for a Birmingham company, Batchelor Robinson Metals and Chemicals, have demonstrated a promising way of disposing usefully of one of modern society's more intractable wastes—the tyre. They have shown how old tyres can be distilled into fuel oil. The sponsor is now contemplating a £2.5m investment in a plant for distilling 50,000 tonnes of tyres a year.

The National Engineering Laboratory at East Kilbride provides another excellent example with its work in applying microprocessor control to manufacturing and assembly-line operations, including robots on the shop floor. Ironically, this laboratory was once hived off from the National Physical Laboratory. Under Dr. Davies their programmes, if not the laboratories themselves, are being brought back together to tackle a single industrial problem—the problem of "how"—from two different directions, better controls and novel kinds of manufacturing machinery.

By expanding research on the "how" rather than the "what" of engineering throughout his research empire, Dr. Davies may achieve his own ambition of changing the programmes from work that is merely important to work that is "utterly indispensable" to the nation. But if the Government really believes in what he is doing, it must show far more sympathy than any Minister has yet ventured for ensuring that the creativity of innovation is not stifled by apathy and hostility outside its laboratories.

Letters to the Editor

Who would want to invest?

From Mr. G. Cruickshank.

Sir,—Government, and politicians constantly complain that we neither invest nor create enough jobs.

Our experience is that when you try to do any of the above, the Government has some regulation which makes it impossible. Our most recent example, the financing of £1m in new plant, creating approximately 80 new jobs and, when in full production, export earnings of $8m-$10m a year, has been frustrated. Exchange control refused to give us permission to remit $15,000 to clinch a contract for our raw material without which there could be no expansion, despite the fact that our Continental competitors were all sitting with the money in their hands waiting to grab the contracts from us.

We were not asking the Bank of England or exchange control to lend us money either for plant or raw materials; that was a risk we were prepared to take ourselves. All we required them to do was to permit it to be remitted, but time does not seem to mean anything to them and this could not wait for them to make up their minds—it had to be done immediately. That is already after ten days' delay while we tried to convince them. The outcome is that we passed the deal on to some friends of ours overseas in order that our good name would be maintained with the suppliers and thus the UK lost the jobs, the investment and the investment earnings. At $8m-$10m a year for 25 years it is quite a lot of money.

Never again will we attempt to invest money in the UK under the bureaucratic controls which at present exist. At any rate we are probably well out of it as today all it would have meant was that we risked £3m. If we lost we lost the lot; if we succeeded none of us could get a reward except self-satisfaction because our dividends would be taxed at 96 per cent or 98 per cent—so why invest?

G. M. Cruickshank.
Lake and Cruickshank,
North Bridge Road,
Berkhamsted, Herts

Headlamp flashing

From Mr. D. Hage.

Sir,—Major Sutton, in his letter concerning headlamp flashing on motorways (July 20), obviously holds a derisory view of those amongst the motoring community who adhere reasonably closely to the rules of the road—which, when all is said and done, are supposed to be there for the benefit of all.

It is most unreasonable to suggest that anyone who objects to headlamp flashing is automatically in the wrong—indeed, the converse is almost invariably true. I suggest that Major Sutton invests in a copy of the Highway Code, wherein he will find that such use of headlamps should serve purely as a visible warning of one's presence. It does not impart a divine right *to pass, especially when to do so* is illegal. I accept that a great many many road users—the Major amongst them, by his tone—appear to hold such laws in contempt: but it is they who are at fault, not the person abiding by the 70 limit.

Lane discipline is a separate issue—and here I most definitely agree that the character who sits in the outer lane, adhering rigidly to the legal maximum speed regardless of road and traffic conditions, is simply a fool. The motorway police would, I am sure, soon take decisive and appropriate action in such a case, for the idiot in question endangers not merely himself but also all others in his vicinity.

Driver education is obviously much required—and Major Sutton should set an example here by contacting, for example, the Institute of Advanced Motorists with a view to taking a higher-level driving test.

D. C. Hage.
3, Havelock Street,
Desborough,
Kettering, Northants.

Motorway cowboys

From Mr. P. Jackson

Sir,—What unbelievable nonsense is written by Major A. B. de S. Sutton (July 20) about headlight flashing on motorways.

If I am doing 70 mph, overtaking somebody travelling slower in the middle lane, what is the point of flashing me? I can only complete the manoeuvre, which I would have done anyway. By attempting to force others out of "their" lane, such flashers are not only impatient, and trying to break the speed limit, but are also likely to cause an accident by intimidating the nervous driver. It is not a *right* to drive faster than 70 mph. It is a selfish risk. If headlight flashing was restricted to emergency vehicles only, most drivers would be more inclined to take notice of its use.

I for one am pleased *to see an* MP attacking *any form of* internal combustion aggression.

P. Jackson.
50, Bourness Crescent,
Kingston Vale, SW15.

The tax on whisky

From Mr. V. Fellas

Sir,—With reference to Kenneth Gooding's article "How Britain's wine drinking potential is being stunted by taxation" (July 11), and the subsequent correspondence on the subject, may I point out that wines, both table and fortified, are taxed at a much lower rate when compared to our indigenous product, whisky, a product which unlike wines, is at least free of preservatives.

The table shows the amount of duty charged for 100 millilitres (ml) pure alcohol when consumed as beer, table wine, fortified wine or whisky.

	Beer	Table wine	Shry/ Port	Wsky
Duty/26⅔ fl. oz.	10p	50p	62p	315p
Alcohol by volume	3.5%	10%	20%	40%
ml pure alcohol per 26⅔ oz.	26	75	150	[illegible]
Duty component per 100 ml pure alcohol	38p	67p	41p	105p

The duty on beer is not unlike that levied on fortified wines.

V. M. Fellas.
36, Roehampton Vale, SW15.

Accountancy as a career

From the Director of Personnel, Arthur Young McClelland Moores and Co.

Sir,—Mr. Michael Dixon (July 18) may be right in his assumption that competition among accountants for job oportunities in the middle 1980s might be intensified but he and Mr. C. M. Watchman (July 20) seem to misappreciate the motivation of the majority of graduates entering training contracts in the large professional firms of chartered accountants.

The attraction of the chartered route to accountancy training is that options are kept wide open for two or three years after qualification. Few students applying for a training contract would commit themselves then to a future in the profession, and indeed might be considered suspect if they did. They want a business training and the opportunity to sample industry and commerce at arms length before finally deciding the course of their career. These students choose the chartered accountant's training contract because of the variety of opportunity which it offers and because they do not feel ready on leaving university to commit themselves to one firm in one industry with as great a certainty of the need subsequently to move on elsewhere to achieve career progression.

Few students, even in the last year of their training contract, have made the decision on whether or not to stay in the practising side of the profession. We have like, I am sure, other large firms a clearly defined career structure and every encouragement is given to the most able of our staff to stay with the firm but, even then, many of them eventually join clients or transfer to overseas associates of the firm. Advice or assistance in moving is always readily available and willingly given. There is now no shortage of opportunity for these people either in finance or in the many other functions of business for which their training is so suitable.

The broad and varied experience gained by chartered accountants before and after qualification coupled with their *exposure to other activities while* working within a practising firm should ensure that they will still be playing the leading role in 1984.

Valentine West.
Rolls House,
7, Rolls Buildings,
Fetter Lane, EC4.

Nuclear energy

From Mr. G. Greenhalgh.

Sir,—Professor Pearce (July 18) protests that he is not on record as sympathising with the anti-nuclear movement. But many of his criticisms of the Windscale inquiry closely follow the anti-nuclear line; in particular his innuendoes on the selective reporting of Mr. Justice Parker, and on the independence of both Mr. Justice Parker and his two assessors.

The report of the Windscale inquiry was not intended as a précis, to rehearse again all the arguments heard during the 100 days. It was rather to provide the reasoning which led the inspector to his judgment. It should be noted that the inquiry was but one link in the decision chain; it was preceded by two public debates, one at Barrow, the second at Church House, Westminster, and followed by two debates in Parliament where the final decision was taken.

Although Prof. Pearce draws a useful distinction between fact and value he complains that the inspector's report did not pay serious attention to the alternative views on values. He suggests that the inspector's legal train*ing was not conducive to assess*ing the alternative views of the future advanced by some witnesses as an integral part of their argument: I for one would take a directly opposite view.

The claim by the nuclear opposition that media coverage of the inquiry was poor and largely confined to one national daily paper is repeated. In fact two national papers, the Press Association as well as local Press and local radio all had full time representatives at the inquiry and an exceptionally good coverage of the 100 days was provided.

The real point at issue was forcibly put by Mr. Benn when winding up the debate on May 15 in the House of Commons. "I can fully understand the disappointment of the environmentalists that their view did not prevail with British Nuclear Fuels, with Mr. Justice Parker, with the Government. But BNFL, the Parker inquiry, and the Government are not deciding the matter. The decision will be made in a few moments in this Chamber."

There is a danger that proposals to modify planning institutions in response to threats of civil disobediance can lead *towards violence and totalitarianism.*

G. H. Greenhalgh.
8, Ruvigny Mansions,
Embankment, Putney, SW15.

Council house rents

From Mr. G. Lindsay.

Sir,—Having read Mr. Joe Rogaly's article on supplementary benefits (July 18), may I, as one born and brought up for many years in a council house, express an opinion.

I have long argued, and it is comforting to see such a respected commentator in one of his conclusions to the report, support my case. My proposition is simply if council tenants were to pay properly according to their means, which would result in a substantial number of tenants paying something approaching an economic rent, this would result in (1) a reduction in housing subsidies and (2) more importantly, these *same* council tenants could cease paying rent from State pension age.

The benefits are (1) above and (2) the considerable reduction in supplementary benefit payments and in staff who deal with rent allowances for old age pensioners.

G. L. Lindsay.
Willis Faber (Midlands),
Rutland House,
Edmund Street, Birmingham.

Income from leasing

From Mr. P. Boys

Sir,—The article by Mr. Paul Rutteman, "Instilling some accounting order into the world of leasing" (July 19), contained the following sentence: "The investment period method — an actuarial after-tax method—is therefore used" (instead of the actuarial method).

I would not agree that the investment period method is an actuarial after-tax method; it is nothing more than an abitrary way of allocating the net income from a leasing agreement so that a larger proportion is taken in the earlier years. The actuarial method is generally used to allocate the net income before the effects of taxation.

There is, however, no reason why it should not be adapted to take account of all cash flows, including the advantage of capital allowances, to allocate net income after tax, in proportion to the amount of capital outstanding at the beginning of each period. This method will of course assume a constant return on funds invested, but is perhaps more rational than the investment period method.

P. G. E. Boys
(Lecturer in Accounting),
Keynes College,
University of Kent at Canterbury,
Canterbury, Kent.

Today's Events

GENERAL

EEC Finance Ministers meet, Brussels.

EEC Agriculture Ministers begin two-day meeting, Brussels.

African, Caribbean and Pacific States/EEC Council begin renegotiation of Lomé Convention, Brussels.

TUC-Labour Party Liaison Committee meets.

TUC Finance and General Purposes Committee meets.

Post Office management and Post Office Engineering Union resume talks on engineers' pay claim, with Lord McCarthy as mediator.

Public inquiry opens at Taunton into recent sleeper train fire.

National Union of Mineworkers' Yorkshire area Council meets, Barnsley.

Sir Peter Vanneck, Lord Mayor of London, visits Westland Aircraft, Yeovil, Somerset.

Brighton Antiques Fair opens, Corn Exchange (until July 29).

PARLIAMENTARY BUSINESS

House of Commons: Debate on unemployment. Motion on Dock Labour Scheme 1978.

House of Lords: Wales Bill, consideration of Commons reasons. Dominica Termination of Association Order. Debate on future of Port of London Authority.

COMPANY RESULTS

Final dividends: Neepsend; Siebe Gorman. Interim dividends: Jamesons Chocolates; Leda Investment Trust.

COMPANY MEETINGS

See Week's Financial Diary on Page 4.

OPERA

Royal Opera production of Norma, Covent Garden, W.C.2 7 p.m.

Glyndebourne Festival Opera perform Cosi fan tutte, Lewes, East Sussex, 5.30 p.m.

BALLET

Batsheva Dance Company, with Galina and Valery Panov, Royal Festival Hall, S.E.1, 7.30 p.m. (until August 3).

CITY FESTIVAL

Stage Two of Carl Flesch international violin competition, Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C.2, from 9 a.m.

Shakespeare at Lunchtime: Classical actors and actresses give their personal choice of extracts from plays, Mermaid Theatre, E.C.4, 1.05 p.m. to 1.55 p.m.

Elizabethan London and its Players, an illustrated lecture by Sir Bernard Miles, Mermaid Theatre, E.C.4, 3.30 p.m.

London Sinfonietta and Chorus, conductor David Atherton, soloists Margaret Marshall (soprano) and Brian Burrows (tenor), in programme of Janacek and Schubert, Goldsmiths' Hall, Foster Lane, E.C.2, 7.30 p.m.

SPORT

Cricket: Yorkshire v. New Zealand, Headingley. England v. West Indies (under 19), Scarborough. Golf: English amateur championship, Royal Birkdale. Tennis: Inter-county tournament, Eastbourne.

COMPANY NEWS

Union Internl. profits almost halved

FOR 1977 taxable profit of Union International Company fell from £11.54m to £6.26m before including associate contributions of £1.45m compared with £1.08m.

The trading surplus for the year was £24.49m (£27.66m), depreciation came to £7.99m (£5.91m) and interest payable was down from £11.42m to £11.29m.

After tax of £2.31m (£3.78m) and minority interests of £73,236 (£130,827) attributable profit came out at £5.34m (£9.33m). Preference and dividends are maintained at £604,000 for the foodstuffs and by-products company which is owned by the Vestey family through Western United Investments Company.

Mr. H. M. Synge, the chairman, says poor trading conditions—particularly in the latter part of the year—coupled with inflation eroded profit margins in the meat trade. Labour disputes caused delays in production and shipment, with a subsequent loss of throughput and margin.

In the year J. H. Dewhurst in the UK increased its market share; selling considerably more meat by weight. It also expanded its freezer food share. Other developments in the year included the extension of the hides and skins business, the rationalisation of textile interests and the purchase of land in Hong Kong for a cold store.

For the current year the chairman says certain areas have started well while others forecast a reasonable result subject to some measure of stability. Overall, a reasonable profit for the year is expected.

At balance date fixed assets were £81.95m (£72.38m), net current assets £11.24m (£13.06m) and loans totalled £28.32m (£22.39m).

For the current year contracted group capital spending is shown at £6.47m against £3.02m and approved but not contracted spending is shown at £10.64m (£1.07m).

ASSOCIATES DEALS

On July 20, Hill Samuel bought for discretionary investment clients 600 Thomas Tilling at 119p and 3,300 Assoc. Engineering at 109p.

Hedderwick Stirling Grumbar on behalf of Newman Inds. bought 12,139 Wood and Sons (Hldgs.) assented shares at 33p and 1,500 non-assented at 35p.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Howard Machinery, Jamesons Chocolates, Ladies Pride Outerwear, Leda Investment Trust.

Finals—AAII, Change Wares, Graig Shipping, Norepend, Siebe Gorman.

FUTURE DATES

Interims—	
Beaumont Properties	July 27
Cardinal Investment Trust	July 27
General Stockholders Inv. Trust	July 26
Smallshaw (R.) (Knitwear)	Aug. 1
Wardle (Bernard)	Aug. 9
Witan Investment	Nov. 16
Finals—	
Austin (James) Steel	Aug. 2
Bevan (D. F.)	July 31
Caledonian Trust	Aug. 24
Cawnods	July 27
Letraset International	July 27
Lynton Holdings	July 27
Molland Trust	Aug. 2
Mining Supplies	July 25
Stavert Zigomala	July 28

Difficulties for Victoria Carpet

Mr. C. C. Taylor, the chairman of Victoria Carpet Holdings, tells members in his annual statement that prospects in the carpet industry are still difficult abroad as well as at home.

As reported on June 19, after an exceptional provision of £110,979 for Bond Worth Group debt, pre-tax profits for the April 1, 1978 year were down from £247,977 to £126,198 and earnings per share are shown as 2.34p (4.08p). And the dividend is unchanged at 1.4078p net.

Apart from the collapse of Bond Worth, which included the largest carpet wholesaler in the country, the decline in demand for the group's Axminster ranges continued during the year. With the assistance of the Temporary Employment Subsidy the group hopes to maintain production of Axminster carpet.

The Wilton range held its share of the market well, Mr. Taylor says, and although prices were still depressed, volume was satisfactory.

In Australia, results were better than had seemed likely at one stage, and raw materials prices showed a "welcome reduction."

The effects of trying to maintain full-time production on the Axminster looms and of building up stocks for the launch of new tufted lines, reduced the group's cash resources. The chairman says that while directors are confident that such facilities as the group may need will be available, they look forward to restoring the strong cash resources of past years.

As at April 1 net liquid funds decreased by £178,330 (£608,548).

The installation in New Zealand of a Millatron printer with a capacity to produce patterned carpets greatly in excess of potential demand there, is a threat overhanging the Australian market, Mr. Taylor says, as well as the effect of imports.

Nevertheless, Victoria expects improved results in Australia in the current year.

Meeting, Kidderminster, August 16 at 3 p.m.

Comben makes £405,000 for three months

Following changes in the accounting period of the Comben Group, estate developer and house builder, the directors report interim results for the three months to June 30, 1978 with sales of £5.22m and pre-tax profits of £405,000.

For the six months to September 30 last year, profit was £641,000 from sales of £10.71m.

The change results from Hawker Siddeley Group acquiring a controlling interest in Carlton Industries and thereby becoming the ultimate holding company of Comben.

Comben's accounting date is now changed to December 31 and this year creates a nine months accounting period.

The interim dividend is maintained at 0.5p and it is expected tha tthe final dividend (1.2p last year) will now be paid in May 1979.

As stated in March, increased margins are now being obtained and trading, despite increases in the mortgage interest rate, continues to be at a satisfactory level, the directors say.

Robert Lowe decline

FROM INCREASED turnover of £2.81m against £2.23m, profits before tax of Robert H. Lowe, Cheshire-based clothing maker, were down from £233,565 to £216,002 in the 26 weeks ended April 28, 1978.

To reduce disparity, the interim dividend is raised from 0.875p to 1.33p—last year's total payout was 3.9p from pre-tax profits of £441,000.

After tax of £112,500 (£122,000) net profit for the 26 weeks is £103,502 compared with £111,565.

Wm. Leech placing

Following the announcement on July 18 that William Leech (Builders), was making a rights issue of ordinary shares, the entitlements of The William Leech Foundation and certain of the directors and other shareholders in Leech, representing 59.6 per cent of the issue, have now been placed, nil paid, through the stock market by Rowe and Pitman, Hurst-Brown and Wise Speke and Co.

The basis is:—The William Leech Foundation 1,113,000; J. Adamson (director) 30,000 (beneficial) and 196,000 (non-beneficial); J. R. Adamson (director) 60,792 (beneficial); P. M. Milburn (director) 2,500 (beneficial); J. Livingston (director) 1,750 (beneficial); and other shareholders 247,324

BIDS AND DEALS

Portals spend £2m on expansion

Portals Holdings has embarked on a programme of expanding into manufacture of specialised machinery for the paper and packaging industry, with a £2.1m purchase of a private London company which makes bookbinding and paper-covering machines.

The company is Sulby Engineering Development. For the year to April it had sales of £1.7m and pre-tax profits of £431,265, while net tangible assets were said to be £822,414.

Its range of machinery is complementary to that manufactured by Vacuumatic, one of Portals' subsidiaries, but will expand Vacuumatic's range into the graphic arts market.

The purchase is technically still at the offer stage but Portals already has irrevocable acceptances from shareholders of 95.7 per cent of the equity. Sulby is being advised by Gresham Trust which is recommending the price of £5.25 per share in cash. Portals' advisers are Morgan Grenfell.

AMERICAN ASSOCN. IN TALKS

Shares of American Association, which owns land in the U.S., were suspended at 175p yesterday following an announcement that the company was involved in talks which might lead to a bid being made for American.

The company derives its income from royalties on coal and timber worked from its properties totalling 66,000 acres in Kentucky and Tennessee.

The Lowson family interests control just over 50 per cent of the company which at the suspension price had a market value of £3.4m.

WETTERN STILL INDEPENDENT

The offers by W. and J. Glossop for Wettern Brothers have now lapsed. No extension was considered appropriate in view of the continued opposition by the Wettern family and their associates holding in excess of 50 per cent of the ordinary capital.

In respect of the offer for the ordinary capital not already owned, acceptances have been received for 111,621 shares (6.8 per cent). In addition, in respect of the preference offer, acceptances have been received for 1,332 shares (2.6 per cent). Glossop now holds 27.8 per cent of Wettern's ordinary shares.

S. REECE MAY SELL PART OF BUSINESS

S. REECE AND SON, the old-established Liverpool bakers and confectioners controlled by Lewis's, may sell part of its business to Kelloggs, the breakfast cereal makers. Mr. Denis Greensmith, Reece's chairman, said that there had been discussions for some time with "a major company" but said that there was "no finality."

Reece's staff are understood to have been told of an impending sale of part of the company to a national concern and that their jobs would not be at risk. Reece's is said to be insisting that the new owners would avoid major redundancies. Kelloggs refused to say yesterday whether it was the proposed purchaser.

A wholly-owned subsidiary of Sears Holdings, S. Reece and Son has confectioners and baking interests, and a Cheshire cheese-making plant at Malpas.

The parts of the business which would be sold would include the frozen foods distribution network and warehouses.

THOMSON BUYS COMPUTACAR

The directors of Thomson Organisation announce that they have acquired from Unilever Computer Services its rights to and goodwill in "Computacar," the computerised match-making service for buyers and sellers of new and used cars.

"Computacar" will remain at its present address in Wembley.

Unilever Computer Services will have an ongoing involvement in the provision of computer processing services for "Computacar," they state. Thomson will take over the management of "Computacar" as from today.

NEWMAN WILL NOT RAISE BID

Under no circumstances will Newman Industries' offer for the ordinary shares of Wood and Sons (Holdings) be increased. This commitment is made on behalf of Newman in a letter sent to Wood and Sons shareholders.

SANGER DEAL OFF

Gulf Asia Pacific, a private Hong Kong registered company, has pulled out of a £280,000 deal by which it was to acquire a 40 per cent stake in the principal Australian subsidiary of J. E. Sanger, the meat trader.

Sanger directors stressed that this was not a breakdown in relations between the two companies. Gulf would maintain its 9½ per cent stake in the Sanger group and normal trading links were continuing.

Under the terms of the deal Gulf, a shipping and trading group, was to have bought a 29 per cent stake in the Australian subsidiary from Sanger for £202,000. It planned to acquire another 11 per cent from the local managing director Mr. J. W. D. Cooper.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Haoma Gold Mines (Section: Mines—Australia).
Nationwide Leisure (Section: Industrials).
North West Mining (Section: Mines—Australia).
Ogem Holdings N.V. (Section: Overseas—Amsterdam).

● NEWS ANALYSIS — SPOONER BID

Best available in the UK

BY TERRY OGG

Spooner Industries, an industrial dryers and coolers manufacturer with an indifferent profit record and dull short term prospects, is likely to become a subsidiary of the giant Swedish cemented carbide and steel group, Sandvik AB, after being courted publicly first by Redman Heenan and privately by at least one other potential predator.

Sandvik's wholly owned UK subsidiary is making the agreed 95p a share bid for Spooner. The winning price gives an exit p/e on a fully taxed historical profits basis of 10 and compares with a share price of 52p shortly before Redman Heenan opened the bidding at 65p a share, six weeks ago.

Spooner became a public company in 1950 and in the following 10 years its profits grew slowly from around £100,000 to slightly more than £400,000. Since then they have fluctuated in a range from around £340,000 in 1972 to £825,000 last year. Its traditional activities have been supplying drying and finishing equipment to the textile, paper making, plastics and food industries.

Redman Heenan, the product of a merger between the 100 year old Heenan Froude and the much younger Redman Engineering, was virtually raised from the dead by Mr. Angus Murray and Mr. Eric Spencer after a substantial loss in the year to September 30, 1971.

Profits have grown since its resuscitation and its general business involves the design, manufacture and supply of specialised engineering products and ancillary services. About 25 per cent of turnover arises outside the UK. Spooner with its relatively specialised engineering products, plus its overseas network, would have complemented Redman's activities.

But the victor, Sandvik, is probably better placed to extract the best returns from Spooner. It has a reputation for acquisitive growth both within Sweden and worldwide. In October last year it raised $35m through a foreign convertible bond issue and in June it raised a further $25m through a multi-currency credit facility arranged by Svenska Handelsbanken.

Its traditional activity is a specialist steel producer but has avoided the worst of the current world steel demand slump by progressively expanding its cemented carbide products. Consolidated sales for the year 1977 totalled £334m and profits before appropriations and taxes were £55m. It is a group of 90 operating subsidiaries of which 12 are based in Sweden and the remainder are scattered through 34 countries.

Spooner will be added to Sandvik via Sandvik UK Ltd., but will be part of the internationally organised conveyor belt division. Sandvik has for some time, been manufacturing steel conveyer belts for industries where materials are dried, cooled, pressed, transported and stored.

Sandvik claims to supply more than half the world demand for steel conveyor belts and about 60 per cent of its belt deliveries go to new installations while 40 per cent are replacement sales. The Spooner acquisition is a vertical integration move for Sandvik that will enable it to sell direct to the process industry user.

The rationale for making the vertical integration move in the UK rather than in other countries where Sandvik operates is a little more difficult to analyse and it involves a weighing up of opportunity, relative price earnings multiples, comparable management abilities and exposure to various overseas markets. Even Sandvik's advisers, Credit Suisse White Weld, are not able to say whether Spooner is the best available worldwide acquisition. But they can say it was the best available in the UK.

Pending dividends timetable

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*AAH	July 24	Final 6
Aaronson	Aug. 9	Int. 0.61
*Acrow	Aug. 2	Final 1.016
Albright and Wilson	Aug. 18	Int. 2
Assoc. Dairies	Aug. 25	Final 0.4225
Ault and Wiborg	Aug. 10	Int. 0.65
Automotive Prods.	Aug. 11	Int. 1
*Barclays Bank	July 27	Int. 5.5
Bibby (J.)	Aug. 10	Int. 2.5
Blue Circle	Aug. 25	Int. 2.90
BET	Sept. 1	Final 3.828
British Petroleum	Sept. 2	Int. 6.981
*Carrington Viyella	Aug. 8	Int. 0.59685
*City Offices	Aug. 1	Int. 0.77
*Commercial Union	Aug. 7	Int. 2.564
Corah	Aug. 17	Int. 0.8
Cwn. de Groot	Aug. 11	Final 1.172
*Davy Int.	July 25	Final 6.8
De Beers Cons.	Aug. 24	Int. 17½ cents
Dixons Photo.	Aug. 3	Final 1.34
*Fitch Lovell	July 27	Final 2.518
*Gen. Accident	Aug. 9	Int. 3.75
*Gillett Bros. Disc.	July 28	Int. 6.8
Glynwed	Aug. 18	Int. 2.45
*Grindlays	July 25	Int. 0.5
*Gt. Universal Stores	July 28	Final 4.155
Guinness Peat	Sept. 2	Final 6.452
Hambros Tst.	July 21	Final 1.12
Hoover	Aug. 4	Int. [illegible]
Hse. of Fraser	Aug. 10	Int. 1.68934
ICI	Sept. 1	Int. 9
*Inchcape	July 27	Final 5.46
James (John)	Aug. 4	Final 1.4026
Land Investors	Sept. 1	Final 1.8
*Letraset Int.	July 27	Final 2.011
*London Utd.	Aug. 30	Int. 3.103
Lonrho	Aug. 24	Int. 2.83
Matthews Wrightson	Sept. 1	Int. 3.3197
Mercury Secs.	July 21	Final 3.3884
*Midland Bank	July 28	Int. 5.75
Mixconcrete	Sept. 1	Int. 1.2289
*NatWest Bank	July 25	Int. 5.165
*Neepsend	July 24	Final 1.8937
Nottingham Man.	Aug. 18	Int. 0.872
Ocean Transpt.	Aug. 23	Int. 3.8607
*Prestige	July 27	Int. 1.75
Prop. Security Inv.	Aug. 9	Final 1.4285
Pye Hldgs.	Aug. 18	Int. 1.225
*Redland	July 27	Final 2.842
*Royal Insce.	Aug. 17	Int. 6.512
Securicor	Aug. 10	Int. 0.2365
Sedgwick Forbes	Aug. 25	Int. 3.5
Slough Estates	Aug. 31	Int. 0.75
Smith and Nephew	Aug. 9	Int. 0.781
*Stadex Int.	July 28	Final 1.61
*Stk. Conversion and Inv.	July 28	Final 6.98
Sunley (B.)	Aug. 4	Final 3.395
*Taylor Wdrw.	July 25	Int. 1.98
*Transpt. Dev.	Aug. 17	Int. 1.125
*Tube Investmts.	Aug. 16	Int. 9.829
Wagon Finance	Aug. 15	Int. 1.25
Weir Group	Aug. 31	Int. 1.694
Witter (T.)	Aug. 5	Int. 0.66
Woolworth (F. W.)	Aug. 17	Int. 1.325

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Effective from July 22

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 5	11¾	11¾	11⅞	12¾	12¾	12⅞
Over 5, up to 10	11⅞	12	12⅛	12⅞	12⅞	13
Over 10, up to 15	12⅛	12¼	12⅜	12⅞	13	13⅛
Over 15, up to 25	12⅜	12½	12⅝	13¼	13¼	13⅜
Over 25	12⅜	12½	12⅝	13⅜	13⅜	13⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hill Samuel	§10 %
Allied Irish Banks Ltd.	10 %	C. Hoare & Co.	†10 %
American Express Bk.	10 %	Julian S. Hodge	11 %
Amro Bank	10 %	Hongkong & Shanghai	10 %
A P Bank Ltd.	10 %	Industrial Bk. of Scot.	10 %
Henry Ansbacher	10 %	Keyser Ullmann	10 %
Banco de Bilbao	10 %	Knowsley & Co. Ltd.	12 %
Bank of Credit & Cmce.	10 %	Lloyds Bank	10 %
Bank of Cyprus	10 %	London Mercantile	10 %
Bank of N.S.W.	10 %	Edward Manson & Co.	11½%
Banque Belge Ltd.	10 %	Midland Bank	10 %
Banque du Rhone	10½%	■ Samuel Montagu	10 %
Barclays Bank	10 %	■ Morgan Grenfell	10 %
Barnett Christie Ltd.	11 %	National Westminster	10 %
Bremar Holdings Ltd.	11 %	Norwich General Trust	10 %
Brit. Bank of Mid. East	10 %	P. S. Refson & Co.	10 %
■ Brown Shipley	10 %	Rossminster Ltd.	10 %
Canada Perm't. Trust	10 %	Royal Bk. Canada Trust	10 %
Capitol C & C Fin. Ltd.	10 %	Schlesinger Limited	10 %
Cayzer Ltd.	10 %	E. S. Schwab	11½%
Cedar Holdings	10½%	Security Trust Co. Ltd.	11 %
■ Charterhouse Japhet	10 %	Shenley Trust	11 %
Choulartons	10 %	Standard Chartered	10 %
C. E. Coates	11 %	Trade Dev. Bank	10 %
Consolidated Credits	10 %	Trustee Savings Bank	10 %
Co-operative Bank	*10 %	Twentieth Century Bk.	11 %
Corinthian Securities	10 %	United Bank of Kuwait	10 %
Credit Lyonnais	10 %	Whiteaway Laidlaw	10½%
The Cyprus Popular Bk.	10 %	Williams & Glyn's	10 %
Duncan Lawrie	10 %	Yorkshire Bank	10 %
Eagil Trust	10 %		
English Transcont.	11 %		
First Nat. Fin. Corpn.	12 %		
First Nat. Secs. Ltd.	12 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		
■ Hambros Bank	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7½%, and over £25,000 8¼%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7½%.

INTERNATIONAL COMPANY NEWS

Ciba-Geigy profit warning after first-half setback

BY DAVID EGLI

GENEVA, July 23.

CIBA-GEIGY, one of the leading Swiss pharmaceutical groups, reported a 12 per cent drop in sales during the first half of the year, and commented that currency fluctuations had impaired growth expressed in Swiss francs to an unprecedented degree, namely by some SwFr1bn or 20 percentage points.

Total sales for the group in the first six months of 1978 were set at SwFr5bn, a reduction of some SwFr 669m over the year-earlier corresponding period, and this despite the fact that, expressed in local currencies, all divisions turned in an improved performance.

The Ilford group (including Gretag) did best with a growth of 24 per cent expressed in local currencies. But this boiled down to a mere 5 per cent when put in Swiss terms. Equivalent figures for the agrochemicals division, the largest in terms of sales, were plus 2 per cent and minus 18 per cent. Advances of between 12 and 13 per cent were recorded, again in local currencies for the pharmaceuticals division, the plastics and additives division and the Airwick Group. But translated into Swiss francs, as they will have to be in the consolidated statement of the group, the losses here range between eight and nine per cent.

The dyestuffs and chemicals division was sluggish because of slack business in client industries, and agrochemicals were strongly marked by bad weather, especially in North America.

In a brief comment to the interim report, the Board of directors noted that there was no sign of general economic recovery and that, as matters stood, shareholders should reckon with a lower level of sales and profits this year, compared with 1977.

Rhodesia loan rate confirmed

BY TONY HAWKINS

SALISBURY, July 23.

RHODESIA IS apparently a prime borrower of at least small amounts in the Eurocurrency market. Rhodesian officials confirmed today that there was no misprint in the official estimates published on Thursday which showed that the country is to raise US$15m over three years in the Euromarkets at a spread of 1 per cent below inter-bank rates. Initial reaction to the first report of the loan—which is abnormal anyway—was that the spread should have read 1 per cent above inter-bank rates.

However, a senior Rhodesian official confirmed the loan had been negotiated at a 1 per cent margin below inter-bank rates, though he declined to give any details of the agent or banks involved. The spokesman confirmed also that a significant element of the £100m that the Government has already borrowed for the 1978-79 fiscal year, represents foreign loans, though he again declined to go into any detail. Asked why Rhodesia was for the first time prepared to publicise its Eurocurrency activities, when economic sanctions were still in force against the country, the spokesman said that this reflected the assumption that with the advent of majority rule on January 1, 1979, economic sanctions would start to erode and fall away.

Rhodesia is known to have raised other loans in international capital markets—in defiance of UN sanctions—since 1965, but this is the first occasion on which borrowings abroad have been given even minimal publicity.

Mary Campbell adds: Under the pressures of large-scale liquidity, international banks have for some time been lending to their prime customers at rates of just above or around the London inter-bank offered rate for dollars (LIBOR). However this is the first publicised instance of a Eurocurrency loan being obtained at less than this rate.

Other countries pay at least half a point above LIBOR for publicised medium term loans.

That Rhodesia can obtain funds at this low level is likely to give other countries an argument for getting banks to lower the margins they pay.

Emerson Electric at new peak

ST. LOUIS, July 23

EMERSON ELECTRIC'S net income for the fiscal third quarter ended June 30 "increased about 18 per cent" over the record $38m or 65 cents a share earned in the comparable period, the chairman and chief executive, Mr. Chares F. Knight, told reporters.

Sales rose by between 15 per cent and 16 per cent over last year's record $455m.

As previously reported in the first half, profits increased by 20 per cent to a record $83.2m or $1.44 a share from $69.3m or $1.20 a share, while sales were $1.07bn up 22 per cent over last year's sales of $876m.

Fourth quarter results "will show improvement" over last year's, when the diversified maker of electrical and electronic products earned a record $36.4m or 63 cents a share on record sales of $478.7m.

"The fourth quarter should follow the normal seasonal pattern of past fourth quarters," Mr. Knight explained. Traditionally, fourth quarter sales and earnings have been slightly less than third quarter results.

Fiscal 1977 results were restated for acquisitions.

Management expects to continue its policy of paying out in dividends 45 per cent to 50 per cent of the prior year's earnings. The company is "moving to the upper end of that range." Emerson currently pays 30 cents quarterly. AP-DJ

Halifax yard acquired

By Robert Gibbens

MONTREAL, July 23.

THE Nova Scotia Government, Hall Corporation, an American-controlled Great Lakes shipping firm, CN Marine, the shipping arm of Canadian National Railways, and Rijn-Schelde-Verolme of the Netherlands, have agreed to take over the Halifax shipyards division of Hawker Siddeley Canada for an undisclosed amount. The deal is dependent on a new labour contract at the yard, on the availability of provincial funds for renovations, and on Federal backing for a new dry dock. The latter will enable the yard to handle vessels up to 85,000 tons, against 20,000 tons at present.

Employment at the Halifax yard had dropped to about 100 from 1,600 because of a severe fall in orders.

TB extends Interpool bid

By Charles Batchelor

AMSTERDAM, July 23

THYSSEN-Bornemisza (TB), the international industrial holding company, said its $80m bid for the shares of the U.S. container leasing group, Interpool, has been accepted by holders of 96 per cent of the company's shares. The offer period has been extended to August 15.

TB, which recently moved its headquarter's from Holland to Monaco, had made its offer of $40 for each of the 2m shares dependent on acceptances from at least 85 per cent. Interpool's management hold 38 per cent of the shares, and they advised the remaining shareholders to accept.

TB's operations in the U.S. include glass and cardboard packaging, metal products, car components, telephone equipment and pumps. They are controlled by TB's Indian Head subsidiary of New York.

Chicago Bridge—Rowan

CHICAGO Bridge Iron has extended the expiration date of its offer for Rowan Companies to August 1 from July 27, reports AP-DJ. It has also agreed with Rowan to postpone the hearing in the action brought by Rowan against Chicago Bridge

Currency, Money and Gold Markets

Liquidity problems

BY COLIN MILLHAM

Liquidity within the banking system appears to be a problem on both sides of the Atlantic at present, but in rather different ways. The London money market has suffered from a famine of funds recently, while in the U.S. the Federal Reserve seems to be in two minds about how to deal with the problem of a money supply rate which is growing much too quickly.

Money supply figures published in both countries last Thursday showed that while the situation in the U.K. looks to be back under control, the Fed still has some way to go before it can make the same claim, although matters did improve last week.

Market intervention by both central banks has contained a degree of similarity recently, with the Bank of England taking a leaf out of the Fed's book. Repurchase agreements form the basis of U.S. intervention policy, but have never been common in London.

The very substantial shortages of day-to-day money has forced the Bank of England into looking at various unusual ways of giving help. This has been aggravated by the relatively small number of Treasury bills in issue, and the authorities have regularly bought different types of bills, in order to resell them to the market at a future date.

While on the subject of Treasury bills it is also worth noting that the yield has not increased as expected when the Minimum Lending Rate formula was suspended. Several discount houses, who at present are the only real market for the bills, are dissatisfied with the current yield. This is now below the average cost of their money, which is reflected in the fact that Union, Alexanders, and probably all the rest have been running at a loss in recent months.

In the U.S., Fed policy remains in doubt, since the authorities did enter into repurchase agreements after the monthly open market committee meeting, as Federal funds traded at 7⅞ per cent, compared with a target rate of 7¾ per cent. By such agreements the Fed injects liquidity into the banking system, buying securities for resale at a later date.

Although the intervention was initially regarded as an indication that the Fed was reluctant to increase upward pressure on rates, by the end of the week it looked likely that the target rate had been lifted to 8 per cent.

CURRENCY MOVEMENTS

July 21	Bank of England Index	Morgan Guaranty changes %
Sterling	62.47	−40.5
U.S. dollar	86.22	−8.8
Canadian dollar	84.56	−13.2
Austrian schilling	139.50	+18.3
Belgian franc	109.99	+11.5
Danish krone	114.19	+5.2
Deutsche Mark	140.32	+35.3
Swiss franc	[illegible]	+80.8
Guilder	119.40	+17.3
French franc	100.36	−3.1
Lira	56.37	−46.3
Yen	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement, December, 1971 (Bank of England Index=100).

THE DOLLAR-SPOT

July 21	Day's spread	Close
Canad'n $*	[illegible]	88.96-88.99
Guilder	2.2200-2.2278	2.2265-2.2275
Belgian Fr	32.44-32.46	32.44-32.46
Danish Kr	5.5880-5.5900	5.5880-5.5900
D-Mark	[illegible]	[illegible]
Port. Es	[illegible]	[illegible]
Lira	[illegible]	[illegible]

GOLD

[illegible]

THE POUND SPOT

[illegible]

FORWARD AGAINST £

[illegible]

FORWARD AGAINST $

[illegible]

OTHER MARKETS

[illegible]

EXCHANGE CROSS-RATES

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MINING NOTEBOOK

Uranium hopes in South Africa

BY LODESTAR

THE JUNE quarterly report season for the South African gold mines has now been completed. It coincided with a new upsurge in the bullion price. If this continues it should at least make the current quarter profits not look quite so bad in relation to those for the past three months, which were boosted by the once-for-all impact of the changed method of payment for the mines' gold production.

The passing-on of this transient "bonus" by way of dividends has varied from group to group and even from mine to mine, but it can still be expected that the autumn crop of payments from the Orange Free State and Evander area companies will make a good showing. This is likely to lead to anticipatory buying of such shares as Winkelhaak, Harmony, President Brand, Western Holdings and Free State Geduld, which could thus outperform the market over the next couple of months.

Meanwhile, some official comment is reported by our Johannesburg correspondent on the June quarterly reports from the two "Johnnies" group mines, Randfontein and Western Areas. Regarding the already forecast drop in grade at Randfontein, its gold division manager, Mr. V. F. Blane, now foresees a 35 to 40 per cent fall in the current quarter and a further 10 per cent in the final three months of the year, bringing the mill grade down from 14.4 grams gold per ton last quarter to eight or nine grams, at which level it is expected to stabilise.

The impact on profits should be more than offset by rising uranium recoveries and the tonnage build-up brought about by the launching of the new Cooke section treatment plant, which should be running at full capacity by the end of the year. This should increase the overall milling rate to some 330,0000 tons a month compared with only 104,000 tons in the June quarter.

How soon Randfontein's growing stature will be fully reflected in dividends (the 200 cents interim was regarded as disappointing) depends to a large extent on a vital decision that should be made before the end of September. This is whether capital spending requirements are going to be swollen by a go-ahead for a third shaft system in the Cooke section.

Such decision would, however, signal further long-term expansion and would be regarded in Johannesburg as underlining the shares' investment attractions. Perhaps "Johnnies" will come round to splitting them one of these days. There is plenty of scope for such an exercise, with only 5.4m shares in issue with a nominal value of R2. The present price is a "heavy" £35¼.

The main talking point when discussion came round to Western Areas was whether the Middle Elsburgs reefs, not at present being mined, will be opened for their uranium content following the current underground drilling programme which has yielded some interesting results.

On this the mining house comment was that substantial customer finance would be needed and that this might prove difficult to obtain, given the marginal nature of the mine's overall operations with break-even point last quarter at a gold price of $154 an ounce.

If this problem can be overcome then there is a possibility of a plant being installed treating the Middle Elsburgs solely for their uranium content. Attention then would also be paid, the spokesman added, to treatment of the Upper Elsburgs, on which the mine is based, for their uranium content, which is not at present being extracted.

The feeling gained by our correspondent was that "Johnnies" is actively looking for ways to exploit Western Areas' uranium and that a combination of higher gold and uranium prices could well make the venture worthwhile. In the meantime, at 187p the shares are regarded as a reasonably-priced speculation on the prospect of bullion bursting through the $200 door although accelerated capital expenditure continues to keep down the dividend rate.

New techniques

A few weeks back I was commenting on the necessarily slow pace of major technological developments in the South African gold and uranium mining industry. The subject of discussion then was the originally much acclaimed rock-cutter. Now the Chamber of Mines is talking about another potential cost-paring exercise on which its research organisation has made "considerable progress" and is confident that it can be demonstrated in a "practical environment within five years."

It is, the chamber says, a relatively simple metallurgical process which could be employed for gold and uranium extraction underground in conjunction with compact milling machinery, thus significantly reducing the amount of ore hoisted to the surface, with a consequent saving in costs. Crushing and grinding the ore underground needs development of a mill occupying only a fraction of the space taken up by conventional surface machinery. This is being undertaken by the chamber in association with an international process company.

Moreover, apart from the savings in haulage costs, the resulting waste pulp is considered to be an "almost ideal" material to fill the worked-out areas underground. This would eliminate most of the timber used for support, leading to a lower fire risk and a reduction in labour. It would also, it is considered, improve the effectiveness of ventilation and refrigeration and relieve some of the production constraints imposed by existing rock handling and hoisting systems and ease underground transport difficulties.

It is emphasised, however, that a number of engineering problems remain to be overcome before this further brain-child of the chamber's boffins can be used commercially. But, like the rock-cutter, it no doubt will be one of these days.

* * *

The shares of Australia's Atherton Antimony, to which attention was first drawn here on May 8, were a strong market on Friday at 95p. The fresh spurt was partly due to a further recommendation of the shares by London brokers James Capel, who have devoted considerable space to the company in their past two weekly circulars. Enthusiasm is based on the Vuda Valley gold prospect in Fiji. But, it should be noted, the brokers consider Atherton to be only for clients "with an adventurous nature."

INSURANCE

EEC officials study contract law reform

BY OUR INSURANCE CORRESPONDENT

FOR SOME while now the European officials in Brussels have been beavering away at the production of a directive on the harmonisation of insurance contract law. Because of the diversity of insurance law and practice throughout the community the production of a final draft, acceptable to all countries and the insurance interests therein, is a long and arduous process. Towards the end of last year the Commission produced its fifth draft—this after 24 meetings of the working party on insurance contracts—and it is this draft which has been and continues to be the subject of examination, criticism and discussion.

The Commission's draft deals with the formation of the contract, including the proposer's duty of disclosure, change of risk, payment of premium, documentation, termination of the contract, rights of third parties—in fact all the essentials of the insurance contract.

Here in Britain, the insurance market comprises the companies and Lloyd's underwriters: each have their own committees in which trading problems of all kinds including law reform can be discussed. But, each contributes where necessary to a joint British view through the British Insurers' European Committee.

It is through this array that British insurers have been giving their opinions on the Commission's draft, to goverment, particularly to the Department of Trade, and to other bodies concerned with the negotiations in Brussels.

At this relatively late stage, when it was thought that discussions in Brussels might be concluded around the turn of the year—the Law Commission has been asked by the Lord Chancellor to consider a number of aspects of British insurance law. The Law Commission has been asked to consider the effect on the liability of an insurer and on the rights of an insured of non-disclosure and misrepresentation by or on behalf of the insured, breach of warranty by the insured, special conditions exceptions and terms, increase and decrease of risk insured—all these matters in the light both of a report made by the then Law Reform Committee in 1957 and having regard to the terms of the draft EEC directive.

The commission usually takes a fair time over its deliberations, first producing a working paper on which interested parties are asked to provide written comment and then having discussion where necessary on various contentious matters. Eventually, a report is produced and, if legislation is then recommended, a draft Bill is included in that report. The time allowed for discussion after the publication of a working paper is pretty elastic, and while the commission has a due sense of urgency, it rarely imposes a time guillotine.

However, on this occasion there are constraints imposed by the EEC timetable in Brussels. The end-of-year deadline seems to have been removed and it appears that the EEC draft will remain on the table until some time next summer. But, the Law Commission here has to keep an eye on Brussels. So, insurers are expecting that the Law Commission will produce and get the Stationery Office to publish its initial working paper by the beginning of November—and then to have about three months in which to make their representations on the Law Commission's proposals.

At this stage, insurers have about three months or so to wait to see what the Law Commission's preliminary thoughts are. No doubt the commission will take into account the changes in market practice established by the statements of insurance practice agreed between insurers and goverment last year, although the commission may view these changes legalistically and may want to see them given full legal substance rather than their present practical implementation.

This point apart, the probability is that the Law Commission will be more concerned with individual consumer aspects of the insurance contract than with the wider international commercial trading scene. Indeed, over the years British insurers have gone far to convince the bureaucrats in Brussels that Community law should not inhibit individual members' ability to trade outside the community and the Law Commission here surely needs not to be reminded of this essential fact of survival for the British insurance market.

CONTRACTS AND TENDERS

Government of Yemen Arab Republic

An established Central Purchase and Tendering Committee of the government of Yemen Arab Republic needs to recruit a panel of experts to evaluate the international/local bids for government works/purchases to be undertaken by the different ministries of the government. The experts panel will have to analyse and recommend on the proposals submitted to the Central Purchase Committee for final approval.

The recruitment of the following experts will be on general overseas terms of two years initial contract (renewable). The candidates above 40 years of age having relevant qualification and experience and already having served in a responsible position should only apply.

1 Civil Engineer — Having sound post-graduate experience of more than 15 years' in all types of civil engineering works such as buildings, airports, sea ports, roads, and other civil works.

2 Electrical Engineer — Having more than 15 years' of adequate post-graduate experience and an ability to evaluate all types of relevant international proposals.

3 Mechanical Engineers — As above.

4 Legal Advisor — Having sound post-graduate experience of 15 years in dealing with company law and international contracts and agreements.

5 Economist — Having sound post-graduate experience of 15 years dealing with economical studies in feasibilities, statistics, project evaluations, and cost benefit analysis.

Salary will depend upon the calibre of the candidate within the range of U.S.$2.000-2.500 per month (free of local taxes), and an amount of U.S.$1.000-1.500 maximum will be granted at actual cost for furnished accommodation, air transport (once a year) local transport and other.

All correspondence will be treated as confidential. The interested candidates should apply with all particulars to:

The Ministry of Public Works and Municipalities,
Sanaa, Y.A.R.

The terms of reference for the above posts could be collected from the following address for guidance:

Yemen Arab Republic Embassy,
41 South Street, London, W.1., U.K.

or:

A. Al Kurshumi, Chairman,
Central Purchase and Tendering Committe,
Sanaa, Yemen Arab Republic.

INSTITUTO DE RECURSOS

HIDRAULICOS Y ELECTRIFICACION
REPUBLIC OF PANAMA
INVITATION FOR INTERNATIONAL BIDS

BID NO. 537-78
FOR FURNISHING. DELIVERING TO THE SITE AND SUPERVISION OF THE ERECTION OF THE POWERHOUSE CRANE

The Instituto de Recursos Hidraulicos y Electrificacion (IRHE) announces Bid No. 537-78 for the Furnishing. Delivering to the Site and Supervision of Erection of a 160-tonne Powerhouse Crane for the *Fortuna* Hydroelectric Project. Proposals will be accepted until 10.00 am on October 2, 1978, at Panama Room of the El Panama Hotel, No. 111 Via Espana, Panama City, Republic of Panama.

Financing of the contract resulting from this announcement will be from the proceeds of Loan 1470-PAN that IRHE has obtained from the World Bank. Therefore, bidders can be considered only from World Bank member countries and Switzerland.

Bid documents as well as all maps, plans, specifications, and proposal forms may be inspected at IRHE's offices in Panama, Hatillo Building, Cuba Avenu, No. 36 (Attention D. Perdomo. Telephone 25-1300), or at Chase T Main International, Inc., *located* at *Southeast Tower*, Prudential Center, Boston, Massachusetts, USA 02199 (Attention R. N. Fenno), or at the Panamanian Embassies in the *United States of America*, France, Italy, United Kingdom, Sweden, Germany, Switzerland, Brazil, Spain and Japan.

The complete set of documents may be obtained directly from the Purchasing Department office of IRHE located in the Poll Building, 2nd Floor, Justo Arosemena Avenue and 26th and 27th Streets, or at the Chas T Main Office in Boston, at a non-refundable payment of *U.S.* $100.00 (U.S. dollars) per set.

Arq EDWIN E. FABREGA
General Director

Federal Islamic Republic of the Comoros

MINISTRY OF EQUIPMENT, TERRITORIAL DEVELOPMENT AND QUALITY OF LIFE
BUREAU OF EQUIPMENT

FINANCING: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

Notice of call for Tenders *No. 01 of* September 15 1978

SUPPLY OF EQUIPMENT FOR ROAD MAINTENANCE IN THE COMOROS

SUBJECT: The Bureau of Equipment of the Federal Islamic Republic of the *Comoros* is initiating a call for tenders for the supply of public works equipment and workshop tooling intended for road maintenance in the Comoros.

The purpose of the present call for tenders is the supply of public works equipment and workshop tooling *intended for* road maintenance in the Comoros.

This project is part of the three-year road maintenance programme financed by the International Bank for *Reconstruction* and Development.

The supply is divided into 11 lots comprising:

Lot No. 1	Spreader truck 3.000/4.000 litres	1
Lot No. 2	Dump truck, approximately 4 cubic metres, with built-in bottom gritter	2
Lot No. 3	Tire-mounted loader, 1.100/1.500 litre bucket	3
Lot No. 4	Self-propelled pneumatic tire roller 12/16 tons	1
Lot No. 5	Smooth-wheeled roller 10/15 tons	1
Lot No. 6	Towed-type spreader, approximately 400/600 litres	3
Lot No. 7	Mobile cold-mix travel plant	2
Lot No. 8	Receiving-transmitting radio with accessories	3
Lot No. 9	Laboratory equipment	1
Lot No. 10	Machine tools and heavy workshop equipment	1
Lot No. 11	Set of workshop tools	1

SPARE PARTS

A list of spare parts shall be proposed for all the enumerated equipment (price proposals in accordance with Article 7 paragraph D of Conditions of Contract). The final list shall be determined by the Government following the opening of the tender.

The call for tender is divided into 11 lots; interested suppliers may bid on one or several lots.

Tenderers and the proposed equipment shall mandatorily originate from one of the member States of the International Bank for Reconstruction and Development or from Switzerland.

The complete set of tender documents may be viewed:

IN THE COMOROS:
In *Moroni*. Ministère de l'Equipement, de l'Aménagement du Territoire et de la *Qualité de la Vie.*

IN FRANCE:
In *Paris*. BUREAU CENTRAL D'ETUDES POUR LES EQUIPEMENTS D'OUTRE-MER (B.C.E.O.M.) 15, Square Max Hymans—75015—PARIS.

The complete set of tender documents shall be sent following a request to BUREAU CENTRAL D'ETUDES POUR LES EQUIPEMENTS D'OUTRE-MER (B.C.E.O.M) against payment of the amount of 30,000 Comorian francs (or 600 French francs), including postage; payment shall be by bank cheque payable to:

—Trésor Public—République Fédéral Islamique des Comores;
—Bureau Central d'Etudes pour les Equipements d'Outre-Mer (B.C.E.O.M.).

Submission of the tenders is scheduled in Moroni. MINISTERE DE L'EQUIPEMENT DE L'AMENAGEMENT DU TERRITOIRE ET QUALITE DE LA VIE—Direction de l'Equipement—on *September 15, 1978, prior to 18.00 hours (local time).*

The opening of the tenders shall take place on *September 18 at 09.00 hours.*

MINISTRY OF PETROLEUM

CAIRO, EGYPT

Egyptian General Petroleum Corporation

(EGPC)

NATURAL GAS PROJECT

INVITATION FOR PREQUALIFICATION FOR GENERAL CONTRACTORS

EGPC (natural gas project) for the purpose of issuing a forthcoming tender for execution of natural gas distribution system and relevant materials in four residential areas in Cairo (Helwan, Maadi, Nasr City and Heliopolis), intends to select among a limited number of reputable firms who qualify to undertake detailed engineering design, procurement and execution of the project (whole or part).

Applicants confident of their qualified capabilities are requested to submit a detailed text of their previous works in similar projects already undertaken or under execution.

The booklet containing the basic engineering data and describing the nature and volume of the work involved will be available at EGPC (natural gas project) Office, Osman Abdel Hafiz Street, Nasr City, Cairo, or at No. 2 Midan Kasr el Doubara, Garden City, Cairo (8th floor, Apt. 48) against payment of ten pounds Egyptian or equivalent thereto.

Applications will be received starting from 16th July until 30th August 1978.

NOTICE TO CIVIL ENGINEERING CONTRACTORS

CORAS IOMPAIR EIREANN

(IRELAND'S TRANSPORT COMPANY)

Development at Rosslare Harbour, Co. Wexford, Ireland

Coras Iompair Eireann shortly intends to invite tenders for extensions to the port facilities at Rosslare. The work will consist of a concrete blockwork pier 150 metres long with berthing facilities on both sides, the provision of shore seatings for two Ro/Ro link spans, a Customs building, surfacing and services. Alternative designs for the blockwork pier will be considered.

The Consulting Engineers for the project are Messrs. Coode and Partners, London, and Messrs. de Leuw Chadwick and O hEocha, Dublin.

Contractors who would like to be invited to tender for this work may now apply and are required to supply the following documents:

A. A declaration of intention to submit a tender.
B. *Details about the composition of their firm,* nationality and capital and yearly turnover over the past five years.
C. References from their Bankers as to their ability to undertake works of the size and nature envisaged.
D. Details of works of similar nature and magnitude carried out by them, the amount of the contract sum, for whom constructed, dates of commencement and completion and the names and addresses of the supervising engineers from whom references can be obtained.
E. A list of the names, type and length of experience of their key professional personnel, as well as the number of their skilled and unskilled employees.
F. An outline as to how they propose to provide the construction works with sufficient labour, skilled and unskilled, local and/or foreign.
G. A list showing the number, year of manufacture and type of plant and machinery in their possession, as well as an outline of the major plant and machinery they intend to use in the works.

Applications will only be considered from principals who will themselves be responsible for executing the works. Applications from Agents will not be considered.

Applications, together with all appendices and supplementary information, must be in English, be enclosed in a sealed package and delivered in person or sent by registered mail, not later than 18th August, 1978 to:—

CHIEF CIVIL ENGINEER,
CORAS IOMPAIR EIREANN,
Pearse Station,
Westland Row,
DUBLIN 2, Ireland

with a copy to:

MESSRS. COODE AND PARTNERS,
20 Station Road,
South Norwood,
London SE25 5AJ, U.K.

Coras Iompair Eireann do not undertake that all Firms expressing their interest will necessarily be invited to tender. Firms accepted as *prequalifying* to tender *will* be so informed and will be invited to take up the tender documents on payment of a *non-returnable fee of £50.*

No payment should be made with the application to prequalify.

NAFTAGAS - KOMBINAT NAFTNE INDUSTRIJE - Novi Sad - "GAS" Radna Organizacija Transporta. Prerade, Primene i Prometa Gasa, Novi Sad, Narodnog Fronta 45

is inviting bids for supply of

GAS COMPRESSORS

NAFTAGAS-KOMBINAT NAFTNE INDUSTRIJE U NOVOM SADU — "GAS" Radna Organizacija Transporta, Prerade, Primene i Prometa Gasa, Novi Sad, has received a loan from the International Bank for Reconstruction and Development in various currencies equivalent to $US11 million toward the cost of a natural gas gathering, transmission and distribution *project in Yugoslavia, known as the "Naftagas Pipeline* Project". It is intended that the proceeds of the loan will be applied to payments under the contract or contracts for which this notice of invitation to bid is issued. Companies or organisations having the capability, experience and standing to supply the required equipment, on the basis of C.I.F. Yugoslav Port, or F.O.B. Port of Loading, are invited to bid:

NATURAL GAS COMPRESSORS

a) Separable Gas Compressors powered by Gas Engines
b) Integral Gas Compressors

It is necessary to supply complete compressor sets with necessary equipment, controls, start-up devices, coolers, suction and *discharge scrubbers, safety devices and instruments.*

Only manufacturers of proved past experience in the manufacture of the above equipment should apply to NAFTAGAS — "GAS" for the Tender Documents. They will be required to state their *manufacturing experience for the last two years* with evidence of their financial standing.

Copies of Tender Documents can be obtained from:
NAFTAGAS — "GAS" Radna Organizacija Transporta.
Prerade, Primene i Prometa Gasa, Narodnog Fronta 45,
Novi Sad, Yugoslavia
upon payment of $US500 to
VOJVODJANSKA BANKA-Novi Sad,
Account No. 65700-620-219-7100000-208/248
with indication "For Purchase of Tender Documents"

Bidders from Yugoslavia can obtain the above Tender Documents upon payment of Dinar equivalent to the Account No. 65700-607-885 of SDK, Novi Sad Branch

Payments are non-refundable

Tender Documents can be collected during Naftagas business hours from 17th July, 1978 to 18th September, 1978

Bidding closing date: 22nd September, 1978

Information available at:
Telephone (021) 367-677 or Telex 14-388 NG

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

DEPARTMENT OF WORKS AND SUPPLY
HIGHLANDS HIGHWAY ROAD PROJECT
PREQUALIFICATION OF CONTRACTORS

The Independent State of Papua New Guinea has the intention of proceeding with further construction works on the Highlands Highway between Chuave and Garniger. Financial assistance with this project will be provided by the International Bank for Reconstruction and Development.

The work consists of paving and sealing 50 kilometres of existing gravel surface road. Expected approximate quantities are in the order of:

(i) Pavement surface courses 93,000m²
(ii) Pavement surface dressing 322,000m²

It is anticipated that invitations to tender will be *issued during* October 1978 for construction to start May 1979. Invitations to tender will be sent only to those Contractors who have prequalified and whose interest has been registered with the Independent State of Papua New Guinea.

Contractors from member *countries of* the International Bank for Reconstruction and Development and Switzerland, who have proven experience and capability in this field, may apply for prequalification.

Prospective tenderers must be able to show extensive *experience in projects involving major highway construction* and to show a history of successful contracts.

Prospective tenderers should consider the possibility of associating themselves with a local Contractor for the purpose of bidding for the project contract.

Information and *forms of application* may be obtained from:
The First Assistant Secretary—Technical and Policy,
Department of Works and Supply,
P.O. Box 1108,
BOROKO, PAPUA NEW GUINEA.

The closing date for application is 30th September 1978.

The Independent State of Papua New Guinea will notify Contractors who have successfully prequalified to tender for the work and will supply them with tender documents and information regarding the preparation of bids without further *notice*. Reason *for rejection of* applicants *for* prequalification will not be given.

HELLENIC REPUBLIC

MANPOWER EMPLOYMENT ORGANIZATION (M.E.O.)

INVITATION FOR INTERNATIONAL BIDS

1. The Government of Greece has received a Loan (No. 859GR) totalling $23.5 million, from the International *Bank for Reconstruction and Development* (I.B.R.D.) towards the Second Educational Project.
This programme, regarding M.E.O., consists of the following:
A. Eight (8) new Vocational Training Centres (KEKATE and KM) (construction, equipment, furniture)
B. Ten (10) Vocational Training Centres (equipment only)
C. Three (3) Mobil Units for Vocational Training
2. This announcement concerns the procurement of mechanical-electrical equipment for three (3) new KEKATE and KM, the remaining equipment from previous biddings and the furniture of the eight (8) new *KEKATE and KM.*
The mechanical-electrical educational equipment includes lathes, milling machines, drills, generators, hand tools, steel, cables, pipes, etc., and is grouped in 24 packages according to Type and Similarity (Supply: Phase B'-Stage 2).
3. Bidding will be among firms from members countries of the I.B.R.D. and Switzerland and will take place from October 10, 1978 to November 20, 1978. Bid documents will be distributed to interested parties at a fee of US$ 10.
4. Additional information may be obtained from
MANPOWER EMPLOYMENT ORGANIZATION
DIRECTORATE OF SUPPLIES
33, Halkokondili Street, Athens, 102, Greece.
Working days and hours 11.00-13.00.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

INVITATION TO TENDER

Tenders are invited for the immediate supply and delivery c.i.f., from any EEC port, of 2,500 tonnes of bagged sorghum destined as United Kingdom National Food Aid to Mali. The *sorghum is to be loaded into one ship and delivered* via the Port of Dakar to Kayes for 1,000 tonnes and Bamako for 1,500 tonnes. The sorghum shall be supplied in new or good quality second-hand fumigated jute bags marked "Food Aid Gift of the United Kingdom."

The allowance for the supply and transportation costs of the grain will be determined on examination of the tenders, delivery terms embodied in a *Notice of Invitation to Tender* together with the Tendering Forms may be obtained from Branch B (Cereals), Internal Market Division, Intervention Board for Agricultural Produce, 2 West Mall, Reading (Tel: Reading 583626).

Tenders must be submitted by 12 noon, Thursday, 3rd August, 1978, to.

HOME GROWN CEREALS AUTHORITY,
Hamlyn House, Highgate Hill, London N19 5PR.

GOVERNMENT OF YEMEN ARAB REPUBLIC

MINISTRY OF EDUCATION
Implementation Unit,
IDA Education Project,
P.O. Box 96, Sana'a

Cable: PROJED. Telex: 2405 EPIU YE

INTERNATIONAL TENDER NOTICE

Sealed Tenders are hereby invited from bona fide manufacturers and suppliers from member countries of the World Bank/IDA and Switzerland for supplying Equipment and Furniture as per bid-packages mentioned below:

1—Audiovisual Equipment and Software.
2—Furniture.
3—Science Equipment:
Chemistry: Physics: Biology and Biology models.
4—Miscellaneous Items:
Wall Charts, Maps and Globes: Commerce Office Machines: General Workshop Equipment: Garden Tools and Sports goods and Agricultural Equipment.
5—Electrical Equipment.
6—*Automotive* Equipment.
7—Equipment for Machine Shop and Glass workshop.
8—Equipment for Sheetmetal, Welding and Blacksmithy.
9—Equipment for Foundry and Forging.
10—Equipment for Construction.
11—Equipment for Plumbing and Fitting.
12—Equipment for Wood Workshop.
13—*Laboratory Equipment and Chemicals.*
14—Sleeping Materials for Boarding Houses.

a) Tender documents *may be obtained from the above* address upon a non-refundable payment of US$50 per bid-package.
b) The payment will be made against IDA credits 421/YAR and 611/YAR under IDA disbursement procedure III or VI.
c) Tenders will be received up to 12.00 noon (local time) on 30th October, 1978 and will be opened in public in the Implementation Unit/IDA Education Project at 10.00 a.m. on 31st October, 1978.

DR. SALAH SHEHATA
Director General

CAPITAL DEVELOPMENT AUTHORITY

DODOMA - TANZANIA

INTEGRATED CONCRETE INDUSTRIES

PREREGISTRATION OF TENDERERS

The above Authority invites *interested organisations to submit* credentials for consideration for preregistration of tenderers for Phase II of the quarry and concrete products complex for Dodoma, Tanzania. Tenders will be called for mobile quarry plant, crushing plant, tile-making plant, pipe and vibrated products plant, bituminous roadstone plant and associated facilities.

Tenderers *are required to have proven* operational experience and they will be required to provide to the Authority operational and management assistance for a period of up to five years after commissioning.

Construction of the works is scheduled to be completed in mid-1980.

Submissions for preregistration must be received by August 14 1978, *addressed to the Capital Development Authority c/o* HRPL-CMPS Joint Venture Consultants at the Consultant's Head Office in Australia with copies to their *Dodoma* and UK addresses.

Interested organisations should make contact immediately to obtain further information and a questionnaire from:

HRPL-CMPS JOINT VENTURE CONSULTANTS

369 Royal Parade	9 Pickhurst Road	PO Box 811
Parkville Vic 3052	Chiddingfold	Dodoma
Australia	Surrey GU8 4TS, UK	Tanzania
Telex: AA30680	Telex: 858465	Telex: 53177
Tel: (03) 3471311	Tel: (042879) 3077	Tel: (061) 20421

CONTRACTS AND TENDERS

Rate: £13.00

per single column centimetre

For further details contact:

FRANCIS PHILLIPS on 01-248 8000 Ext. 456

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current—July 28	International Wool Secretariat's "Wool Interiors"	Carlton Gardens, S.W.1
Current—July 29	Royal Tournament	Earls Court
Current—July 30	World Wine Fair	Bristol
Current—July 29	*Middle East Business Expo '78*	Grosvenor House Hotel, W.1
Current—July 29	Brighton Antiques Fair	Corn Exchange, Brighton
July 25—27	Royal Welsh Show	Llanelwedd
Aug. 2	Third National Sheep Demonstration	Kenilworth
Aug. 3—6	*The Enterprise North East Exhibition*	Aberdeen
Aug. 13—17	International Gifts Fair	Olympia
Aug. 22—24	Education and Communication Technology Exbn.	Holland Park School, W.8
Aug. 26—Sep. 2	International Motor Cycle Show	Earls Court
Sep. 3—7	*International Watch and Jewellery Trade Fair*	Earls Court
Sep. 3—7	Giftware and Fashion Accessories Trade Fair	Bristol Exhibition Centre
Sep. 5—7	Electronic Displays Exhibition	Mount Royal Hotel, London
Sep. 11—14	Electrical and Electronics Exhibition	Bristol Exhibition Centre
Sep. 17—20	Autumn Menswear Fair	Earls Court
Sep. 19—21	Firefighting and Prevention Exhibition	Eastbourne
Sep. 24—27	Menswear Association Exhibition	Harrogate
Sep. 24—27	International Garden and Leisure Exhibition	Nat. Exbn. Centre, Birmnghm.
Sep. 25—29	Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition and Symposium	Nat. Exbn. Centre, Birmnghm.
Sep. 26—29	British International Fashion Fair	Nat. Exbn. Centre, Birmnghm.
Sep. 26—28	Mailing Efficiency Exhibition	Bloomsbury Centre Hotel
Sep. 28	Petroleum Equipment Exhibition	Treetops Hotel, Aberdeen

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current—July 26	Photographic and Audio Visual Exhibition	Tokyo
July 25—Aug. 20	International Fair	Damascus
Aug. 30—Sep. 3	16th Overseas Import Fair	Berlin
Sep. 5—8	Third International Offshore North Sea Technology Conference and Exhibition	Stavanger
Sep. 3—5	Int. Hardware, Tools, Household Goods and Giftware *Exhibition*	*Basle*
Sep. 9—15	International Leather Week	Paris
Sep. 11—15	International Electra and Mining Exhibition	Johannesburg
Sep. 11—15	International Mining Exhibition	Belgrade
Sep. 12—16	International Congress and Exbn. on Data Processing	Berlin
Sep. 13—17	Int. Trade Exhibition for Home Improvements	Stuttgart
Sep. 19—22	Coffee Symposium and Trade Fair	Montreux
Sep. 22—25	Exhibition and Trade Fair of the Turkish Textile *and Ready-to-Wear Industry*	Basle
Sep. 24—27	Quojem: Hardware Trades Exhibition for retailers, wholesalers and manufacturers	Paris

BUSINESS AND MANAGEMENT CONFERENCE

July 26	Trade Research Publications: Researching UK Import Markets	Tower Hotel, E.C.
July 27	Australian British Trade Association: Investment in Australia's national resources, and uranium	Tothill Street, S.W.1
July 27—28	Middle East Transport: Arab Ports Conference	Grosvenor House, W.1
Aug. 7—11	Turkish Ministry of Foreign Affairs: Seminar on the new international economic order	Istanbul
Aug. 7—11	British *Safety Council:* Advanced Management Course	London
Aug. 14—16	Exeter University: Toxic Dust Problems in Industry	Exeter
Aug. 14—18	ABRAXAS: Synectics—Innovative Skills	68, Churchway, N.W.1
Aug. 21	British Institute of Management: Selection Interviewing—Theory and Practice	Parker Street, W.C.2
Aug. 29—Sep. 1	Institute of Personnel Management: Practical Negotiation Skills	Hemingford Grey, Cambs.
Aug. 30—31	Financial Times: World Aerospace	Royal Lancaster Hotel, W.2
Aug. 31—Sep. 1	Brit. Inst. of Management: Effective Speaking—Practice and Coaching using closed circuit TV	Parker Street, W.C.2
Sep. 3—7	Esomar: Value for Money in Market and Social Research	Bristol
Sep. 3—8	British Veterinary Association: Annual Congress	Lancaster
Sep. 4—5	Brunel Univ.: Ergonomics of Workplace Design	Uxbridge, Middlesex
Sep. 4—5	Local Authorities Management Services: Negotiating Skills	Leicester
Sep. 4—7	*British Farmer and Stockbreeder: Outlook for the* English Wine Growing Industry	Wye College, Kent
Sep. 4—8	Institute of Personnel Management: Work of the Personnel Department	Embassy Hotel, W.2
Sep. 4—8	BACIE: *Techniques of Instruction,* Part 1	Sackville Hotel, Hove
Sep. 5—6	Institute of Personnel Management: The Secretary in Personnel Management	Whites Hotel, W.2
Sep. 6	Brunel University: Noise in Industry	Uxbridge, Middlesex
Sep. 7—8	Brit. Inst. of Management: Management Accounting for Non-Financial Managers	Parker Street, W.C.2
Sep. 7—8	Brunel University: What is organisation development?	Uxbridge, Middlesex
Sep. 10—15	Inst. of Personnel Management: Advanced Interviewing and Assessment Skills	Oxford
Sep. 10—15	Bradford University: Practical Skills of Managing People at Work	Bradford
Sep. 11	Brit. Inst. of Management: Unfair Dismissal	Parker Street, W.C.2

This week's business in Parliament

TODAY

COMMONS—Debate on unemployment. Motion on the Dock Labour Scheme 1978.

LORDS—Finance Bill, third reading. Employment *(Continental* Shelf) Bill, third reading. Wales Bill, consideration of Commons reasons for disagreeing with Lords amendments. Dominica Termination of Association Order. Debate on the future of the Port of London Authority.

TOMORROW

COMMONS—Debate *on* the economy, including the White Paper on inflation.

LORDS—Homes Insulation Bill, report and third reading. Inner Urban Areas Bill, consideration of Commons reasons for disagreeing with Lords amendments. Parliamentary Pensions Bill, report and third reading. Civil Liability (Contribution) Bill, remaining stages. Motion to Approve Road Traffic (Seat Belts) (Northern Ireland) Order *1978. Debate on the export of* live farm animals for slaughter.

WEDNESDAY

COMMONS — Consideration of Lords' messages on the Scotland Bill, the Wales Bill and the Parliamentary Pensions Bill.

LORDS—Motions to approve European Space Agency (Immunities and Privileges) Order 1978, European Communities (Definition of Treaties) (No. 6) (International Development Association) Order 1978, European Communities (Definition of Treaties) (No. 7) (International Wheat Agreement) Order 1978, Community Road Transport Rules *(Exemption)* Regulations 1978. Drivers' Hours (Harmonisation etc.) Regulations, 1978, Valuation List (Second Postponement) Order 1978, Weights and Measures Act 1963 (Coffee Extracts and Chicory Extracts) Order 1978, and Weights and Measures Act 1963 (Various Goods) (Termination of Imperial Quantities) Order 1978. Debate on division of responsibility for efficiency of county police forces.

THURSDAY

COMMONS—*Proceedings* on the Dividends Control Bill.

LORDS—Scotland Bill and Wales Bill. Consideration of Commons reasons for rejecting Lords Reasons. Chronically Sick and Disabled Persons (Northern Ireland) Bill, remaining stages. Motions to approve Shipbuilding *(Redundancy Payments* Scheme) (Northern Ireland) Order 1978 and Shipbuilding (Redundancy Payments Scheme) (Great Britain) Order 1978. Debate on oil pollution.

FRIDAY

COMMONS—Motion on the Valuation List (Second Postponement) Order. *Motions on the* Ministers and Members' Salaries, Allowances and Pensions. Motion on the fifth report from the Select Committee on House of Commons (Services) Session 1977-78 on the new Parliament building.

LORDS—Transport Bill, considera*tion of Commons* reasons for disagreeing with Lords amendments. Motions to approve Ministerial and other Salaries Order 1978 and the Family Income Supplements (Computation) Regulations 1978. Motion to Approve Dock Labour Scheme 1978.

FT SURVEY OF CONSUMER CONFIDENCE

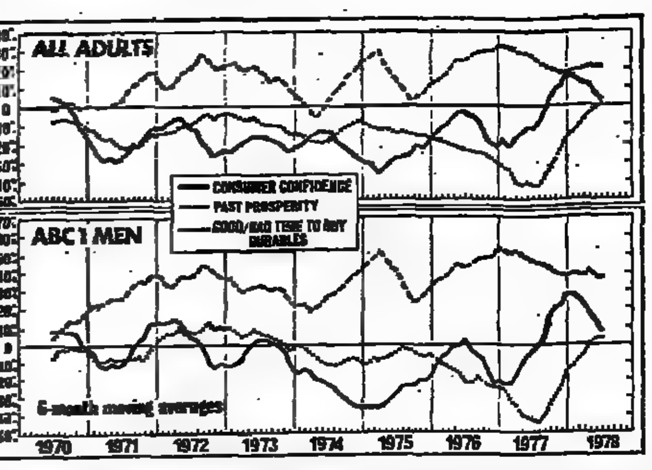
More worry about unions

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

IN SPITE of the better news *about prices, people are feeling* much less confident about the future than they were six months ago, according to the latest survey of consumer confidence by the British Market Research Bureau.

Although slightly more people *this month felt better off compared* with a year ago the survey shows that they have mixed views about the future with women taking a far more pessimistic view than men.

In general, people seem to be more worried about inflation, unemployment and the unions than they were a month ago, and the underlying trend for consumer confidence is going down again. This is a reversal of the *steadily* improving trend seen in the first five months of the year.



The monthly index of consumer confidence improved slightly this month but it stands well below its January level. Whereas at the turn of the year the proportion of respondents thinking things would improve over the next 12 months outweighed the pessimists by 27 per cent, the pessimists are now in a *majority* of 6 per cent among all adults. Because of this the six-month moving average index has fallen again to show only a tiny (3 per cent) balance of optimists.

Professional men had not changed their views about the future much since last month but men in blue-collar jobs were taking a much more optimistic view than in June — in this category there was an even split between *optimists and pessimists.* Working-class women were much more gloomy than they were a month ago.

Rising prices again were the most frequently mentioned reason for pessimism while 18 per cent of the pessimists interviewed blamed their gloom on *the Government.* The number of people mentioning unions and strikes as grounds for pessimism also increased this month while there was also an increase in the number of respondents expecting unemployment to get worse. The number *of* people predicting an increase in unemployment *outnumbered* those expecting a fall by 27 per cent —the highest figure since last July.

The fatalistic belief that "things must improve" was again given as the main reason for optimism. Rather less of this month's optimists based their confidence on the belief that inflation was being brought under control than a month ago in spite of the continued fall in the retail prices index.

Against this rather uneven picture of consumer confidence, the past prosperity index moved up again this month. Asked *whether they felt better or worse* off compared with a year ago, 32 per cent said better off and 30 per cent worse off. This gave a balance of 2 per cent feeling better off. As a result, the six-month moving average index of past prosperity remained constant at −1 per cent which historically is a very high level.

The time to buy index rose sharply this month, mainly because of a fall in the proportion of *people thinking it was a* bad time to buy major items. Those in favour of buying outweighed those against by 23 per cent—the same proportion as in April.

The research was carried out between July 6 and 12 at a time when newspapers carried many stories about the Government talks with the unions over another round of pay restraint.

The uncertainty over this, *together with talk of a possible* election, may have contributed to the fall in confidence.

A total of 1,007 adults was interviewed.

Cornish Parliament to collect 'car taxes'

THE ANCIENT Cornish Tinminster Parliament is about to launch the second step in its claim that Westminster cannot impose taxes in the county without its approval.

Last month Mr. Brian Hambley, a bus driver and the Parliment Speaker, won a decision by magistrates at St. Austell that they had no jurisdiction to hear a summons brought against him for failing to tax his car.

Mr. Hambley, yesterday announced that more than 100 supporters of the *Parliament* intend not to renew the taxes on their cars.

Instead, they intend to pay £20 for "tax" discs issued by the Parliament which was revived in 1974 after a break of 222 years.

The decision by the magistrates has given the Transport Ministry a problem which so far it has, publicly at least, made no step to resolve.

With the 21 days allowed for an appeal against the magistrates' decision now past, only new legislation at Westminster could bring about a change in *much of the taxation law in Corn*wall, as the St. Austell magistrates' decision said it now stands.

The Cornish Parliament is claiming that under the terms of Royal Charters going back to the 12th century, Cornish tinminers are exempt from taxes levied from Westminster unless they decide to accept the legislation imposing them.

The Parliament is also claim*ing that owners of shares in* Cornish tinmining companies can claim the same privilege and also all involved in the Cornish china clay industry.

OVERSEAS MARKETS

INTERNATIONAL BONDS

BY MARY CAMPBELL

Sharp downturn in DM sector

FOR MOST of last week international bond market trends continued to suggest that a turn in the market had come, with investors looking to U.S. dollar rates to peak soon, if not immediately. Fixed rate dollar bonds were reportedly in substantial demand from non-professionals early in the week.

This demand created professional short positions which compounded the price rises. Meanwhile, floating rate notes continued to ease (though in continuing two-way business) while dealers reported considerable movement out of D-mark domestic and foreign bonds by foreign holders.

By Friday the situation had changed again, at least as far as dollar straight bonds were concerned. There were substantial falls in prices that day, to the extent that many of the earlier gains had been wiped out.

A significant factor here was reaction to the Federal Reserve Board's apparent decision to push up the Fed funds rate from 7¾ at least to 7⅞ per cent and probably to 8 per cent. This rammed home the likelihood of immediate further rises in U.S. rates, following a period when many had hoped that rises would at least be postponed.

Another bear factor was the recommendation by a special OPEC committee that the price of oil should be linked to a basket of currencies. Although opposition from Saudi Arabia and Iran has apparently postponed discussion of this proposition until next December's routine conference of OPEC ministers, the implications of such a change are likely to overhang the market in the intervening period.

The D-mark sector seems to have been the only sector of the market which was affected substantially by the Bremen/Bonn summitry. A number of factors, including a liberal dose of confusion, were at work but in general every avenue seemed to have led dealers and investors to the view that D-mark bonds were to be shunned.

One line of argument arose from the increased possibility of an EEC common fund. As one dealer put it, investors thought this would simply mean Germany handing over its foreign currency reserves to its weaker brethren.

The other line of argument concerned the strain on the capital market from the proposed increase in Germany's GNP of up to one per cent at a maximum cost in capital market issues of DM13bn. In the event a large proportion of any increase in GNP is expected to be financed substantially from taxes — although income tax is expected to be cut, many in the market were last week predicting a VAT increase to compensate.

The official German statement at the summit noted that the capacity of the capital market would be one constraint on the extent of any GNP increase.

Whatever the package which finally emerges, the market reacted extremely badly last week. Until Friday, the Bundesbank had to buy between DM250m and DM400m daily (on Friday the figure was DM70m). Domestic bond prices fell by around a full point. Foreign bonds again fell by substantially less, between a half and three quarters of a point.

The situation was not helped by the large volume of new issues last week. The DM515m scheduled at the Monday's meeting of the capital markets subcommittee for issue in the next month was perhaps not excessive, although probably the maximum that the market could sensibly have been expected to absorb.

The real problem was that on top of the regular calendar a large volume of supra-national offerings have recently been announced. Folowing a DM 70m placement for the European Coal and Steel Community the previous week, a DM 75m placement for the European Investment Bank came out last week as well as the DM 400m World Bank offering.

The terms of the latter put those of the EIB issue—agreed a week earlier—completely out of line. The terms of the OKB issue, originally for seven years offering 5¾ per cent at par, were adjusted to bring them into line with the short term tranche of the World Bank offering.

But perhaps the biggest indication of the weakness of the D-mark sector was Deutsche Bank's decision to reactivate the so-called "control number system."

Regularly used in the German domestic bond market, this system is designed to prevent syndicate members from offloading bonds soon after they have been issued.

Deutsche Bank has announced that for three months after the early August payment date for the World Bank issue it will buy bonds only if they are accompanied by a number which distinguishes the syndicate member to whom they were sold in the primary distribution.

In effect it is saying that it is prepared to buy up the whole issue if necessary in order to see who dumped bonds.

It is understood that the German clearing house has agreed not to take delivery unless they are accompanied by this number. It seems that the two Eurobond clearing houses, Euroclear and Cedel, have been told that unless they agree to do the same they will not be allowed to clear the bonds.

Although dealers will be able to sell free of these control numbers for delivery after early November, they will have had to carry the cost of holding the bonds for three months. The argument is that insofar as they would not want to be cut from future World Bank issuing syndicates, they would both subscribe for bonds this time and avoid being seen to be dumping them.

The introduction of the system is felt to have been successful in that the bonds which were initially quoted at discounts of no more than one point.

The fact that Deutsche Bank feels strong enough to take such a high-handed action is a product partly of the prestige— and issuing capacity — of the World Bank but also a result of Deutsche Bank's own position.

Not only is it the largest issuing house but also it is a universal bank with virtually unlimited funds to buy up bonds. It is difficult to think of any other house which is in a strong enough position to pressure international investment banks so bluntly.

Whether it is in the interests of the international bond market generally is a different matter. Dumping is one of the worst characteristics of this market while continuity of issuing capacity is important for any market.

Many might feel that the introduction of a system which makes it possible for the most powerful issuing house(s) (a) to attract borrowers at unrealistic terms and (b) to pressurise the market into accepting them for their own book; stuffing the portfolios they manage is not necessarily the best of precedents.

EUROBOND TURNOVER
(nominal value in $m)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	918.1*	1,215.9	155.2*	196.9
Cedel	343.6	1,017.4	299.0	228.7

* Four-day week.

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡††Hydro Quebec	100	2008	n.a.	10	99¾	F. Boston, Bache, Merrill Lynch	10.28
‡§Thorn Electrical	25	1988	—	7	100	Hambros	7.00
†‡CCCE (g'teed France)	50	1998	13	5¼	100	BNP, Cred. Lyonnais, Dillon Read	5.32
‡†Bank Hapoalim	50	1983	5	6¼	100	N. M. Rothschild	4.61
‡†African Dev. Bank	40	1983	5	7	100	CSWW, First Boston	7.12
†Banque Ext. d'Algerie	35	1984	¶	8½	*	First Boston (Europe)	*
‡J. C. Penney	100	1983	5	8¾	99¼	First Boston (Europe)	8.63
†Standard Chartered	100	1990	12	5¼	*	EBC, Schroders, Morg. Stan.	*
†Alahli Bank	25	1983	5	5¼	100	West LB	5.58
†Charterhouse Japhet	10	1985	7	6	*	EBC	*
D-MARKS							
Norges Kommunalbank	100	1990	8	6	100	West LB	6
‡§Tokyu Car	30	1986	—	3½	100	BHF-Bank	3.54
§All Nippon Airways	100	1988	—	3½	*	Deutsche	*
‡**Standard Bk. of S. Africa	50	1982	4	7½	99½	Dean Witter, Bay. Hypo und Wechs	7.90
**EIB	75	1988	10	6	99¾	Commerzbank	6.07
**OKB (g'teed Austria)	75	1984	6	6	99½	Bay. Vereinsbank	6.10
World Bank	200	1984	6	6	99½	Deutsche	6.10
World Bank	200	1988	10	6	98	Deutsche	6.28
YEN							
World Bank	75bn	1993	12.3	6¾	100	Nomura	6.61
SWISS FRANCS							
Gen. Zentralbank	100	1993	n.a.	4½	99¾	UBS	4.55
Euratom	80	1993	n.a.	4¾	100	Credit Suisse	4.75
KUWAITI DINARS							
Credit Immobilier (g'teed Morocco)	10	1988	7.9	8½	99½	KIIC, ADIC	8.47

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ‖ Minimum. § Convertible. ¶ Purchase fund. †† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AIBD basis

Indices

NEW YORK—DOW JONES

	July 21	July 20	July 19	July 18	July 17	July 14	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	839.42	836.82	848.70	839.00	839.05	833.45	866.51 (6/6)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	87.20	87.10	87.20	87.15	87.00	86.94	90.86 (4/1)	85.75 (11/7)	—	—
Transport	228.86	228.50	229.55	228.82	227.80	225.66	231.56 (6/6)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.67	105.28	105.26	105.18	105.29	106.65	110.98 (3/1)	102.84 (22/6)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	26,890	33,140	30,950	22,869	25,180	28,370	—	—	—	—

* Basis of index changed from August 24

	July 14	July 7	June 30	(Year ago approx.)
Ind. div. yield %	5.56	5.75	5.71	4.87

STANDARD AND POORS

	July 21	July 20	July 19	July 18	July 17	July 14	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	106.04	106.50	106.44	106.36	106.02	107.90	110.59 (6/6)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§ Composite	97.78	98.03	96.12	96.87	97.78	97.59	100.32 (6/6)	86.90 (6/3)	125.36 (11/1/63)	4.40 (1/6/32)

	July 12	July 5	June 28	Year ago (approx.)
Ind. div. yield %	5.07	5.18	5.11	4.45
Ind. P/E Ratio	9.12	8.95	9.04	10.12
Long Gov. Bond yield	8.69	8.62	8.57	7.59

N.Y.S.E. ALL COMMON

July 21	July 20	July 19	July 18	1978 High	1978 Low
54.31	56.07	55.16	54.45	56.30 (8/6)	48.37 (6/3)

Rises and Falls

	July 21	July 20	July 19
Issues traded	1,872	1,888	1,871
Rises	570	815	991
Falls	859	654	448
Unchanged	443	419	432
New Highs	43	93	74
New Lows	12	7	9

MONTREAL

	July 21	July 20	July 19	July 18	1978 High	1978 Low
Industrial	190.84	194.81	196.30	197.05	199.84 (21/7)	162.0 (16/2)
Combined	199.82	199.47	195.72	199.02	199.82 (21/7)	170.82 (30/1)
TORONTO Composite	1161.8	1176.5	1176.5	1166.2	1181.8 (21/7)	[illegible]
JOHANNESBURG Gold	262.5	246.5	259.8	257.0	282.5 (21/7)	186.0 [illegible]
Industrial	252.2	252.8	252.8	252.2	252.4 (17/7)	194.[illegible]

	July 21	Previous	1978 High	1978 Low
Australia(*)	503.81	500.50	508.42 (17/7)	441.19 (1/3)
Belgium (‖)	(e)	96.27	101.12 (10/5)	90.45 (23/3)
Denmark(**)	98.34	98.96	[illegible]	88.00 [illegible]
France (††)	73.1	71.9	73.1 (21/7)	47.5 (6/2)
Germany(‡‡)	814.0	810.2	814.0 (21/7)	763.4 (17/3)
Holland (§§)	84.6	84.2	[illegible]	80.0 [illegible]
Hong Kong (¶¶)	557.05	564.94	582.01 [illegible]	383.44 (13/1)
Italy (‖‖)	62.66	61.75	[illegible] (19/7)	55.45 [illegible]
Japan (a)	423.34	420.50	423.31 (19/7)	364.04 (4/10)
Singapore (b)	347.90	347.63	[illegible]	[illegible]

	July 21	Previous	1978 High	1978 Low
Spain (d)	102.73	103.08	[illegible]	[illegible]
Sweden (e)	367.07	367.22	[illegible]	[illegible]
Switzerland (f)	281.2	281.7	[illegible]	[illegible]

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec., 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Milan 2/1/73. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

NEW YORK

GERMANY

JOHANNESBURG

AUSTRALIA

PARIS

VIENNA

BRAZIL

OSLO

SPAIN

AMSTERDAM

TOKYO

COPENHAGEN

SWITZERLAND

STOCKHOLM

HONG KONG

CANADA

BRUSSELS/LUXEMBOURG

MILAN

Securities Rand U.S.$0.69½ (Discount of 39.8%)

Source: Nikko Securities, Tokyo

INSURANCE, PROPERTY, BONDS

Capital Life Assurance♥
Coniston House, Chapel Ash W'ton 0902 28511

Key Invest. Fd		100.98		—
Pacemaker Inv. Fd.		101.07		—

Charterhouse Magna Gp.♥
18, Chequers Sq., Uxbridge UB8 1NE 52181

Chrthse Energy	37.6	39.6		—
Chrthse. Money	29.4	31.0		—
Chrthse. Managed	38.6	40.6		—
Chrthse. Equity	34.8	36.6		—
Magna Bld. Soc.		133.6		—
Magna Managed		150.6		—

City of Westminster Assur. Co. Ltd.
Ringstead House, 6 Whitehorse Road Croydon CR0 2JA. 01-684 9664.

West Prop. Fund	60.5	63.6		—
Managed Fund	172.7	186.7		—
Equity Fund	58.5	61.5	+0.4	—
Farmland Fund	73.9	77.7		—
Money Fund	121.2	127.5		—
Gilt Fund	64.2	67.5	−0.6	—
PULA Fund	169.7	173.0		—
Pens. Mngd. Cap.	117.1	123.3		—
Pens. Mngd. Acc.	121.7	128.1		—
Pens. Money Cap.	46.7	49.2		—
Pens. Money Acc.	48.5	51.0		—
Pens. Equity Cap.	54.9	57.7		—
Pens. Equity Acc.	57.1	60.1	+0.4	—

Fund currently closed to new investment.

Perform Units		201.0		—

City of Westminster Assur. Soc. Ltd.
Telephone 01-684 9664

First Units	123.6	129.7		—
Property Units	54.7	57.4		—

Commercial Union Group
St. Helen's, 1, Undershaft, EC3 01-283 7500

VrAnAcUt July 22		55.24	+0.01	—
Do. Annuity Uts.		17.99		—

Confederation Life Insurance Co.
50, Chancery Lane, WC2A 1HE 01-242 0282

♥Equity Fund	152.6	160.2		—
♥Managed Fund	177.7	186.5		—
♥PIP Fund	375.4	—		—
Pensl. Pen. Mngd.	72.6	76.2		—
Staffed Mngd. Pn.	72.6	76.2		—
Group Mngd. Pen.		186.8		—
Fixed Int. Pen.		199.7		—
Equity Pension		224.0		—
Property Pension		139.4		—

Cornhill Insurance Co. Ltd.
32, Cornhill, E.C.3 01-626 5410

Cap. Feb. Aug. 15	126.0	—		—
GS Spec. Aug. 15	52.5	—		—
MnGthFd June 20	169.0	178.0		—

Credit & Commerce Insurance
120, Regent St., London W1R 5FE. 01-439 7081

C&C Mngd. Fd.	122.0	132.0		—

Crown Life Assurance Co. Ltd.♥
Crown Life Hse., Woking, GU21 1XW 04862 5033

Mang'd Fund Acc.	104.3	109.7	+0.9	—
Mang'd Fd. Incm.	104.3	109.7	+0.9	6.44
Mang'd Fd. Init.	103.5	108.9	+0.9	—
Equity Fd. Acc.	99.2	104.4	+0.2	—
Equity Fd. Incm.	99.2	104.4	+0.2	4.95
Equity Fd. Init.	98.9	104.1	+0.2	—
Property Fd. Acc.	95.9	100.9		—
Property Fd. Incm.	95.9	100.9		8.90
Property Fd. Init.	95.4	100.4		—
Inv. Tst. Fd. Acc.	103.9	109.3	+0.7	—
Inv. Tst. Fd. Incm.	103.9	109.3	+0.7	4.90
Inv. Tst. Fd. Init.	103.3	108.7	+0.7	—
Fixed Int. Fd. Acc.	97.8	102.9	+0.1	—
Fxd. Int. Fd. Incm.	97.8	102.9	−0.1	11.44
Inter'l. Fd. Acc.	115.6	121.6	+0.9	—
Inter'l. Fd. Incm.	115.6	121.6	+0.9	3.88
Money Fd. Acc.	96.2	101.2		—

Eagle Star Insur/Midland Ass.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	52.9	54.9	+0.2	5.97

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	115.1	121.1	+1.0	—
Property Fd.	106.7	112.3		—
Fixed Interest F.	109.1	114.8	+0.2	—
Gtd. Deposit Fd.	99.4	104.6		—
Mixed Fd.	111.5	117.3	+0.3	—

Legal & General (Unit Assur.) Ltd.
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU. Burgh Heath 53456

Cash Initial	95.6	100.7		—
Do. Accum.	97.6	102.8		—
Equity Initial	122.3	128.8	+1.1	—
Do. Accum.	124.8	131.4	+1.2	—
Fixed Initial	117.5	123.7	+0.1	—
Do. Accum.	119.9	126.3	+0.2	—
Intl. Initial	98.8	104.3	+1.0	—
Do. Accum.	99.5	104.8	+1.1	—
Managed Initial	119.2	125.5	+0.7	—
Do. Accum.	121.6	128.0	+0.7	—
Property Initial	99.1	104.4		—
Do. Accum.	101.2	106.6	+0.1	—

Legal & General (Unit Pensions) Ltd.

Exempt Cash Init.	96.4	101.5		—
Do. Accum.	98.0	103.2		—
Exempt Eqty. Init.	121.9	128.4		—
Do. Accum.	123.9	130.5		—
Exempt Fixed Init.	109.6	115.4		—
Do. Accum.	111.4	117.3		—
Exempt Mngd. Init.	119.9	126.3		—
Do. Accum.	121.8	128.3		—
Exempt Prop. Init.	96.4	101.5		—
Do. Accum.	98.0	103.2		—

Legal & General Prop. Fd. Mgrs. Ltd.
11, Queen Victoria St., EC4N 4TP 01-248 9678

L&G Prp. Fd. July 3	96.5	101.7		—

Next sub. day August 1

Life Assur. Co. of Pennsylvania
39-42 New Bond St., W1Y 0RQ. 01-493 8395

LACOP Units	98.7	103.9		—

Lloyds Bk. Unit Tst. Mngrs. Ltd.
71, Lombard St., EC3 01-623 1288

Exempt	98.7	103.9		7.98

Lloyds Life Assurance
20, Clifton St., EC2A 4MX

Mlt. Gth. July 6		1.29756		—
Opt. 5'A' Prp. Jly. 20	124.8	131.2		—
Opt. 5'A' Eq. Jly. 20	129.3	136.2		—
Opt. 5'A' H. Yld. Jly. 20	156.3	164.6		—
Opt. 5'A' Man. Jly. 20	147.8	156.6		—
Opt. 5'A' Dpt. Jly. 20	121.9	128.4		—

London Indemnity & Gnl. Ins. Co. Ltd.
18-20, The Forbury, Reading 583511

Money Manager	33.8	36.3	+0.2	—
M.M. Flexible	30.8	31.7	+0.2	—
Fixed Interest	34.2	36.1		—

The London & Manchester Ass. Gp.♥
The Leas, Folkestone, Kent 0303 57333

Cap. Growth Fund		227.4	+0.2	—
♦Flex. Exempt Fd.		134.0	+1.1	—
♦Exempt Prop. Fd.		90.8	+0.4	—
♦Expt. Inv. Tst. Fd.		153.5	+1.4	—
Flexible Fund		115.1	+1.2	—
Inv. Trust Fund		141.6	+2.1	—
Property Fund		88.0	+0.2	—

M & G Group♥
Three Quays, Tower Hill EC3R 6BQ 01-626 4588

Pers. Pension***		234.3	+0.7	—
Conv. Deposit*	118.3	124.3		—
Equity Bond**	138.7	145.8		—
Family 79-80**	162.3	—		—
Family 81-86**	205.7	—		—
Gilt Bond***	106.5	111.9	+0.5	—
International Bond**	104.6	109.9		—
Managed Bd.***	139.9	147.0	+2.0	—
Property Bd.**	159.2	167.3		—
Ex. Yield Fd. Bd.*	81.3	85.6		—
Recovery Fd. Bd.*	63.3	66.6		—
American Fd. Bd.*	52.9	55.7		—
Japan Fd. Bd.*	57.1	60.1		—

Prices on *July 19 **July 20. ***July 21.

Merchant Investors Assurance
125, High Street, Croydon 01-686 9171

Property		154.1	+0.1	—
Property Pens.		161.1	+0.1	—
Equity		58.5	−0.9	—
Equity Pens.		167.4	+2.4	—
Money Market		141.7	+0.9	—
Money Mkt. Pens.		183.1	+1.1	—
Deposit		129.1	+0.1	—

NEL Pensions Ltd.
Milton Court, Dorking, Surrey. 5911

Nelex Eq. Cap.	78.1	82.2		—
Nelex Eq. Accum.	114.0	119.9	+1.2	—
Nelex Money Cap.	61.8	65.0		—
Nelex Mon. Acc.	65.5	69.0		—
Nelex Gth Inc Cap	47.6	50.1		—
Nelex Gth Inc Acc	48.6	51.1		—
Nel Mxd. Fd. Cap.	47.6	50.1		—
Nel Mxd. Fd. Acc.	48.6	51.1		—

Next Sub. day July 25
For New Court Property see under Rothschild Asset Management

FINANCIAL TIMES STOCK INDICES

	July 21	July 20	July 19	July 18	July 17	July 14	A year ago
Government Secs.	70.78	70.70	70.57	70.50	70.50	70.26	66.88
Fixed Interest	71.70	71.67	71.64	71.60	71.49	71.68	67.68
Industrial Ordinary	479.2	470.4	467.7	472.4	479.3	474.4	431.5
Gold Mines	175.0	170.7	164.4	162.6	161.6	160.6	116.3
Ord. Div. Yield	5.54	5.64	5.68	5.63	5.55	5.60	5.83
Earnings, Yld.% (full)	16.81	17.14	17.25	17.10	16.86	17.01	16.52
P/E Ratio (net) (*)	7.94	7.79	7.74	7.81	7.92	7.85	8.76
Dealings marked	4,438	4,367	4,385	4,757	4,581	4,172	4,819
Equity turnover £m.	—	75.77	76.84	86.84	68.07	70.96	68.91
Equity bargains total		15,920	15,372	17,151	14,764	15,735	14,040

10 am 476.6 11 am 477.5 Noon 476.9. 1 pm 477.4.
2 pm 478.0. 3 pm 478.4.
Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=7.77.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS / S.E. ACTIVITY

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low		July 21	July 20
					—Daily		
Govt. Secs.	78.58 (5/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)	Gilt-Edged	152.2	144.7
					Industries	162.1	151.5
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)	Speculative	38.4	37.2
					Totals	100.8	99.4
					5-day Average		
Ind. Ord.	497.3 (5/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)	Gilt-Edged	155.9	152.0
					Industries	155.1	153.6
Gold Mines	175.0 (21/7)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)	Speculative	32.0	29.9
					Totals	101.3	100.2

FT—ACTUARIES INDICES

—	July 21	July 20	July 19	July 18	July 17	July 14	A Year ago
Industrial Group	215.00	211.49	209.96	211.49	213.51	212.14	174.68
500 Shares	238.36	234.64	232.92	234.57	237.22	235.77	200.82
Div. Yield (%)	5.44	5.52	5.56	5.51	5.44	5.47	5.74
P/E Ratio (net)	8.14	8.03	7.97	8.04	8.13	8.10	8.50
All Shares	219.86	216.67	215.15	216.79	219.11	217.48	183.37

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Fidelity Mgmt. Research (Jersey) Ltd.
Waterloo Hse., Don St., St. Helier, Jersey 0534 27561

Series A (Intnl.)		£3.95	−0.15	—
Series B (Pacific)		£8.95		—
Series D (Am.Ass.)		£17.94		—

First Viking Commodity Trusts
8, St. George's St., Douglas, I.o.M. 0624 4682. Ldn. Agts. Dunbar & Co., Ltd., 53, Pall Mall, London SW1Y 5JH. 01-930 7857

Fst. Vik. Cm. Tst.	34.0	35.8		3.10
Fst. Vk. Dbl. Op. Tst.	75.0	80.0		1.80

Fleming Japan Fund S.A.
37, rue Notre-Dame, Luxembourg

Fleming July 18		$US36.75		—

Free World Fund Ltd.
Butterfield Bldg., Hamilton, Bermuda.

NAV June 30		$US180.76		—

G.T. Management Ltd.
Park Hse., 16 Finsbury Circus, London EC2. Tel. 01-628 8131. TLX: 886100
London Agents for:

Anchor 'B' Units	$US0.95	1.01		2.14
Anchor Gilt Edge	£9.71	9.78	+0.01	12.99
Anchor Int. Fd.	$US4.63	4.91		2.14
Anchor In. Jsy. Tst.	28.0	29.8		2.62
Berry Pac Fd.		$US40.85		0.82
Berry Pac Strlg.	301.00	315.12		0.95
G.T. Asia Fd.	$HK9.45	9.95		1.58
G.T. Asia Sterling	£14.94	16.06		1.24
G.T. Bond Fund		$US12.95	+0.01	5.71
G.T. Dollar Fd.		$US7.38	+0.18	0.68
G.T. Pacific Fd.		$US14.99	−0.02	1.05

Gartmore Invest. Ltd. Ldn. Agts.
2, St. Mary Axe, London, EC3 01-283 3531
Gartmore Fund Mngt. (Far East) Ltd.
1503 Hutchison Hse., 10 Harcourt Rd., H. Kong

HK & Pac. U. Tst.	$HK3.28	3.53		2.30
Japan Fd.	$US15.430	16.370		0.60
N. American Tst.	$US11.35	11.97		1.50
Intl. Bond Fund	$US10.06	10.45		5.70

Schroder Life Group
Enterprise House, Portsmouth. 0705 27733
International Funds

£Equity	118.5	126.0		—
$Equity	133.2	141.7		—
£Fixed Interest	137.6	146.3		—
$Fixed Interest	104.9	111.5		—
£Managed	130.5	138.8		—
$Managed	118.8	126.3		—

J. Henry Schroder Wagg & Co. Ltd.
120, Cheapside, E.C.2 01-588 4000

Cheap $ July 21		$US11.75	−0.02	2.47
Trafalgar June 30		$US121.27		—
Asian Fd. July 10	$US18.24	19.90		2.75
Darling Fnd.	$A1.87	1.98		5.20
Japan Fd. July 13.	$US7.38	7.93		0.50

Sentry Assurance International Ltd.
P.O. Box 326, Hamilton 5, Bermuda

Managed Fund	$US1.790	1.948		—

Singer & Friedlander Ldn. Agents
20, Cannon St., EC4 01-248 9646

Dekafonds	DM26.17	27.60		6.15
Tokyo Tst. July 3		$US37.00		1.60

Stronghold Management Limited
P.O. Box 315, St. Helier, Jersey 0534-71460

Commodity Trust	91.18	95.98		—

Surinvest (Jersey) Ltd. (x)
Queens Hse. Don. Rd. St. Helier, Jsy. 0534 27349

American Ind. Tst.	£8.27	8.44	−0.02	—
Copper Trust	£10.88	11.13	−0.11	—
Jap. Index Tst.	£12.32	12.57		—

TSB Unit Trust Managers (C.I.) Ltd.
Bagatelle Rd., St. Saviour, Jersey 0534 73494

Jersey Fund	46.6	49.0		4.98
Guernsey Fund	46.6	49.0		4.98

Prices on July 19. Next sub. day July 26.

Tokyo Pacific Holdings N.V.
Intimis Management Co. N.V., Curacao.

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 475-480

INSURANCE BASE RATES

† Property Growth 10½%
† Vanbrugh Guaranteed 9.25%
† Address shown under Insurance and Property Bond Table

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
26M	26S	Exch 5pc '76-78‡‡	99 7/32	17.2	5.04	9.18
9S	9M	Treasury 11½pc '79‡‡	101 3/4	31.1	11.37	9.42
17M	17S	Treasury 3pc '79‡‡	95 1/4	8.2	3.14	7.06
28M	26S	Electric 4¼pc '74-79	95 5/8	17.2	4.43	7.96
1M	1N	Treasury 10½pc '79‡‡	100 3/8	26.3	10.46	10.09
15M	15N	Electric 3½pc '76-79	95 1/2	10.4	3.65	6.76
3S	3M	Treasury 9pc 1980‡‡	97 1/4	25.1	9.21	10.53
14N	14M	Treasury 9½pc '80‡‡	98 1/4	7.4	9.67	10.55
15D	15J	Treasury 3½pc '77-80	93 7/8	9.5	3.73	7.00
15D	15J	Funding 5¼pc '78-80‡‡	94 1/4	9.3	5.57	8.59
25M	25N	Exchequer 13pc 1980‡‡	103 7/8	18.4	12.52	11.02
15J	15Ja	Treasury 11½pc 1981‡‡	100 7/8	8.6	11.40	11.06
15A	15F	Treasury 3½pc 1979-81	90 1/8xd	10.7	3.88	7.82
1O	1A	Treasury 9¾pc 1981‡‡	96 11/16	23.2	10.08	11.18
12D	12J	Exch 8¼pc 1981	93 1/2	—	8.82	10.92
4F	4A	Exch 9½pc 1981	95 11/16xd	28.6	9.93	11.22
21F	21A	Exch. 3pc 1981	86 1/8xd	17.7	3.48	8.15
17M	17N	Treas Variable '81‡‡	95 1/4	10.4	10.18	10.68
23M	23N	Exch. 12¾pc 1981‡‡	104	17.4	12.26	11.24
15J	15Ja	Treas 8½pc '80-82‡‡	93 1/2	8.6	9.09	10.78
15A	15F	Treasury 3pc '82‡‡	84 7/16xd	10.7	3.55	8.12
16S	16M	Treasury 14pc '82‡‡	107 1/2	7.2	13.02	11.40
15D	15J	Treas Variable '82‡‡	94 11/16	9.6	10.29	11.46
5J	5Ju	Treasury 8¼pc '82	91	1.6	9.07	11.12
22M	22S	Exch. 9¼pc 1982	92 13/16	13.2	9.97	11.45
22M	22S	Exch. 9¼pc 1982 A	92 13/16	—	9.97	11.47
5Ju	5J	Exch. 8¾pc 1983	91 1/16	—	9.60	11.30
21A	21F	Exch 3pc '83	80 1/4xd	17.7	3.74	8.27
17S	17M	Treasury 12pc 1983‡‡	102 1/4	8.2	11.74	11.34
18J	18Ju	Treasury 9½pc '83	92 1/8	12.6	10.04	11.36
		Five to Fifteen Years				
12J	12D	Exch. 10pc '83 (£45 pd.)	45	—	10.56	11.34
15J	15Ja	Funding 5½pc '82-84‡‡	82 3/4	8.6	6.66	9.65
10J	10Ju	Treasury 8½pc '84-86‡‡	88 1/2	5.6	9.64	10.74
1N	1M	Funding 6½pc '85-87‡‡	80	28.3	8.28	10.27
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly	24	87	—	—
1J	1J	Do 5pc Pref	40	30.5	—	—
1J	1J	Chilean Mixed	98xd	3.7	—	13.10
1J	1M	German Yng 4½pc	410	1.6	4½	—
1M	1N	Greek 7pc Ass	54	2.5	3½	16.48
1F	1A	Do 6pc 28 Stab Ass	51	1.2	6	16.00
1A	1O	Do 4pc Mixed Ass	43	3.4	4	14.65
May 1		Hung '24 Ass	55	2.5	4½	5.00
30J	31D	Iceland 6½pc '83-88	65	30.5	—	12.80

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

[illegible]

AMERICANS

[illegible]

S.E. List Premium [illegible] (based on $US1.9097 per £) Conversion factor 0.6575 (0.6582)

CANADIANS

[illegible]

S.E. List Premium [illegible] (based on $2.1467 per £)

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]								
Sept.	Mar.	Hong Shng $2.50	[illegible]					
June	Nov.	Jessel Toynbee	56	2.5	h3.27	—	8.9	—
Jan.	June	Joseph (Leo) £1	210xd	10.7	8.61	—	6.2	—
Feb.	Aug.	Keyser Ullmann	52	30.5	0.66	—	1.9	—
June	Dec.	King & Shax 20p	58	15.5	3.39	—	8.8	—
May	Nov.	Kleinwort B.L.	99	3.4	4.12	—	6.3	—
Aug.	Apr.	Lloyds £1	265	27.2	†9.09	5.5	5.3	5.2
Jan.	Sept.	Manson Fin. 20p	47	30.1	g3.07	ф	10.3	ф
	Sept.	Mercury Secs.	110xd	10.7	3.73	—	5.1	—
July	Apr.	Midland £1	363	2.5	14.75	4.3	6.2	5.7
Dec.	June	Do 7½% 83-93	£82	12.6	Q7½%	21.1	f9.3	—
June	Dec.	Do 10½% 93-98	£86½	15.5	Q10½%	21.1	e12.9	—
Jan.	July	Minster Assets	63	30.5	3.55	2.5	8.5	7.2

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

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[illegible]

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FOOD, GROCERIES—Cont.

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INDUSTRIALS (Miscel.)

[illegible]

FINANCIAL TIMES

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[illegible]

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[illegible]

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[illegible]

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[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. May	Falcon Rh.50c	178	3 4	Q50c	1.3	24.0
May	Rhod'n Corp. 16⅔p.	18	17 4	0.56	7.1	4.7
—	Roan Cons. K4	68	1274	—	—	—
Dec. July	Tanganyika 50p	162	12 6	Q10.0	1.2	6.2
Jan. July	Do. Pref. 80p	87	12 6	Q9½	16.3	8.3
Nov. May	Wankie Col. Rh 1	38	17 4	†Q7½c	1.4	16.8
—	Zam.Cpr.SBD0.24	14	1174	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Acmex 25c	14	—	—	—	—
Nov. Apr.	Bougainville 50 Toea	124	14 3	Q8c	1.4	4.0
—	BH South 50c	110	974	—	—	—
—	Central Pacific	525	—	—	—	—
Oct. May	Conzinc Riotinto 50c	252	14 3	Q10c	2.2	2.5
—	G.M. Kalgoorlie $1	52	667	—	—	—
—	Hagma Gold N.L.	40	...	—	—	—
September	Hampton Areas 5p	135xd	10.7	‡3.5	2.0	3.9
—	Metals Ex. 50c	30	—	—	—	—
Dec. Apr.	M.I.M. Hldgs. 50c	206	13 3	Q9c	1.7	2.7
—	Mount Lyell 25c	30	—	—	—	—
—	Newmetal 10c	4½	...	...	...	—
June Nov	North B. Hill 50c	125	15 5	Q8c	1.5	4.0
—	Nth. Kalgurli	13½	—	—	—	—
—	Nth. West Mining	30	—	—	—	—
June Nov	Oakbridge $A1	168	7 4	†Q11c	1.9	4.1
—	Pacific Copper	50	—	—	—	—
—	Pancont'l 25c	£13¼	—	—	—	—
—	Paringa M&Ex.5p	33	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c	530	15 9	Q15c	4.0	1.8
—	Southern Pacific	215	—	—	—	—
Oct. May	Westn. Mining 50c	143	3 4	‡Q6c	1.4	‡
—	Whim Creek 20c	50	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. Apr.	Amal. Nigeria	25	13 3	¶2.51	1.6	15.2
Apr. Oct.	Ayer Hitam $M1	375	13 3	‡Q60c	0.9	‡
Apr. Oct.	Beralt Tin	52	8 8	3.75	4.4	11.5
Jan. July	Berjuntai $M1	290	3 1	Q110c	♦	8.2
Feb. Oct.	Geevor	130	16 1	h4.51	3.4	5.3
—	Gold & Base 12½p.	9½	1074	—	—	—
June Dec	Gopeng Cons.	295	17 4	15.0	0.9	7.8
—	Hongkong	160	1167	—	—	—
May Nov.	Idris 10p	85	17 4	‡12.0	1.6	‡
—	Jantar 12½p	10	467	—	—	—
—	Kamunting $M0.50	75	—	2015c	0.7	4.4
Jan. July	Killinghall	470xd	10.7	Q125	♦	26.7
April	Malay Dredging $M1	405	13 3	‡Q95c	0.8	5.0
—	♦Pahang	70	9 75	‡Q3.75c	0.5	‡
Mar. Sept.	Pengkalen 10p	60	12 6	6.5	1.3	16.4
June. Jan.	Petaling $M1	230	12 6	‡Q80c	1.6	8.0
Mar. Oct.	Saint Piran	54	3 1	g1.99	4.6	5.6
February	South Crofty 10p	52xd	10 7	4.13	2.0	12.0
Jan. July	South Kinta $M0.50	210	3 1	‡Q77.8c	1.4	6.0
June Jan.	Sthn Malayan $M1	315	3 4	‡Q151.3c	1.1	9.0
—	Sungei Besi $M1	215	26.6	Q65c	♦	6.5
—	Supreme Corp. $M1	78	974	2Q10c	—	2.8
May Nov.	Tanjong 15p	92	17.4	6.5	0.8	10.9
Sept. Mar.	Tongkah Hrbr $M1	92	12.12	‡Q66⅔c	1.6	‡
Apr. Oct.	Tronoh $M1	227	13.3	2Q88c	1.6	8.3

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
June Dec.	Messina R0.50	90	12.12	‡Q30c	1.9	‡

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Barymin	55	—	—	—	—
—	Burma Mines 17½p.	14	575	—	—	—
Aug. Feb.	Cons. Murch. 10c	230	3.1	‡Q30c	2.6	‡
November	Northgate C$1	395	30.9	—	—	—
Jan. June	R.T.Z.	221	25	9.5	2.8	6.5
—	Sabina Inds. C$1	60	—	—	—	—
—	Tara Exptn. $1	900	—	—	—	—
Nov. July	Tehidy Minerals 10p	45	25	1.33	♦	4.5
October	Yukon Cons. C$1	168	15.9	Q7c	2.9	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♦ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- : Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; ¢ ex capital distribution.

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv 20p	24	....
Ash Spinning	42	−2
Bertam	21	....
Bdg'wtr Est. 50p	282	+4
Clover Croft	26	....
Craig & Rose £1	400	......
Dyson (R. A.) A	38	......
Ellis & McHdy	61	......
Evered	16½	....
Fife Forge	50	......
Finlay Pkg. 5p	23½	....
Graig Ship £1	130	−5
Higsons Brew	77	+2
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	263	......
Nthn. Goldsmith	56	......
Pearce (C. H.)	182	....
Peel Mills	20	......
Sheffield Brick	45	......
Shell Refrshmt.	56	......
Sindall (Wm.)	103	......

IRISH

Conv. 9% '80/82	£91⅝	+⅛
Alliance Gas	65	......
Arnott	345	+5
Carroll (P.J.)	99	+1
Clondalkin	98	......
Concrete Prods.	130	......
Heiton (Hldgs.)	42	+2
Ins. Corp.	160	......
Irish Ropes	130	......
Jacob	65	+3
Sunbeam	32	......
T.M.G.	175	+2
Unidare	95	......

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3-month Call Rates

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Cadburys	5
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Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
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Mrks. & Spncr	10
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Plessey	8
R.H.M.	5
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FINANCIAL TIMES
Monday July 24 1978

Plan for licensing banks to be published

BY MICHAEL BLANDEN

THE GOVERNMENT is expected to publish this week *its detailed proposals for new* legislation on supervision of the banking system.

The new law will set up for the first time in the UK a system of licensing for all deposit-taking institutions. It will confirm the Bank of England's position as the authority carrying statutory responsibility for regulation of the banks.

The proposals will be set out in the form of draft *clauses, possibly tomorrow.* While open for further discussion, these effectively will form a *Bill in draft form.* The clauses will put flesh on the bones of the plan first outlined in a White Paper published nearly two years ago.

There will be two main groups of financial institutions under the new system. The *recognised banks will be subject* to close supervision by the Bank but exempted from *the licensing provisions,* while other deposit-taking institutions will have to be licensed.

Flexible

The Bank is expected to try to retain considerable flexibility in the *exercise* of its supervisory authority and therefore, may avoid too-*specific rules on the capital* ratios of banks.

A further innovation will be the creation of a deposit protection fund. All institutions and banks will be required to contribute to a fund and to protect small depositors in case any *institution gets into* trouble.

Contributions are expected to be related to each institution's size, though with a maximum figure which to some extent will limit the relative burden on the big banks.

The legislation is being introduced in response both to the requirements of EEC rules and to the weaknesses in the previous system in the UK exposed by the fringe banking crisis.

EEC banking rules speeded, Page 3

BL Cars to meet unions on job cuts

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS is expected to open negotiations with the trade unions during the next few weeks on plans to shed about 7,000 jobs by the *end of the year. Management* hopes to achieve this through natural wastage and voluntary redundancy.

The blow will be softened by a *recruitment programme, now* gathering momentum, to attract about 2,000 men to meet the company's shortfall in skilled labour.

BL Cars is likely to tell shop *stewards* that they must face reality and accept that a cut in jobs is essential to make the *State-owned concern viable.*

In spite of lagging output and its poor market share, the cars company is thought to have made the biggest contribution to BL profits in the first six months.

Figures are not likely to be released until September, but BL cars is *on target for a pre*-tax profit of about £35m of which the main contribution is likely *to come from the components* and spare parts side rather than cars.

Leyland Vehicles, formerly the truck and bus company, has always been the main profit centre but is thought to be well down on target, though remaining in surplus.

The cars company has made it clear that the present output *target of 819,000 cars for 1978* implies a cut of 12,500 jobs, to be compensated by the recruitment of about 2,500 skilled workers.

So far, about 2,500 jobs have been lost through natural wastage, mainly at the Longbridge and Cowley plants. If closure of the Speke assembly *plant with its 3,000 employees* is included, the company must still seek a gross reduction of about 7,000 jobs.

The main cut in employment *had been held back* until the second half of the year in the hope that the company might exceed *output and market* targets. The reverse has been true.

Production in the last quarter has been particularly disappointing, and on present trends output for the year will be only about 760,000 vehicles—a shortfall of more than 50,000 which again would have repercussions for future employment.

The main hopes for a rise in output are pinned on the speedy introduction of an incentive scheme.

Mr. Michael Edwardes, BL chairman, has stressed that the early introduction of a productivity deal offering new incen*tives is "crucial to the survival* of the company."

The workforce, in a postal ballot, *has already rejected one* scheme this year. It will be difficult to bridge the gap between management, which wants a centralised system giving control over total earnings, and the trade unions, which are pressing for payments closely related to individual effort.

The scheme now under negotiation is simpler than the original *but does not concede to shop* stewards their demand for "mutuality"—the right to deter*mine the manning level and* speed of the production line.

Management may use the potential earnings *available* under any productivity deal to smooth the path for redundancies.

New London HQ chosen

BY KEVIN DONE

BL, formerly British Leyland, is to lease an office block in Hammersmith, West London—*near the start of the M4 motor*way—for its new corporate headquarters.

The move rationalises the company's head-office operations in London which were radically changed when Mr. Michael Edwardes became chairman of the state-owned concern.

Mr. Edwardes moved many functions from the HQ building near Marylebone Station to the operating divisions as one of his first acts. He also split the inter*national division, previously re*sponsible for overseas sales and based in London.

As a result the number of staff working in London was cut from about 700 to about 300.

Nigeria's 2½% levy to hit UK companies

BY DAVID FREUD

CONSTRUCTION companies operating in Nigeria, Britain's ninth largest export market, may be hit by a 2½ per cent *levy on* their turnover.

A levy of this amount on individuals and partnerships in the construction industry was *announced* last year, but the Nigerian tax authorities are now seeking to apply it to companies, *both local and foreign.*

If the move goes through it will have a large impact on foreign construction companies, many of which have been able to use capital allowances as an offset against taxation.

The levy will be a minimum "tax" whether or not such allowances have been made.

The development comes shortly after Nigeria gave notice that it was ending its double taxation treaties with nine of *its biggest trading partners,* including the UK, because it was dissatisfied with its share of tax from foreign companies.

Last week it emerged that Nigeria planned to tax foreign airlines and shipping companies at 10 per cent of their Nigerian revenue on any cash they remit out of the country.

The ending of the treaties *implies a period of considerable* tax uncertainty for foreign companies operating in the country.

Observers believe the various *tax moves can be attributed* to attempts by the Government to increase revenue at a time of financial stringency.

Several construction companies in Nigeria associated with international groups have been told by the tax authorities that their taxes have been raised—*backdated to the 1977-78 financial year—under the 2½ per* cent minimum provisions.

Appeals are likely, but if the authorities' interpretation of the decree stands, UK-based companies with Nigerian associates which could be affected include Costain, Taylor Woodrow, Wimpey and Amey Roadstone.

Last year's decree introducing the 2½ per cent levy said that the measure applied to "persons." Whether this includes companies as well hinges *on an apparent contradiction in* the drafting of the relevant statute.

The decree was in the form of an amendment to the 1961 Income Tax Management Act that states that "person" includes, among other entities, companies.

However the specific section in which the emendation appears, which itself was added to the Act in 1968, states that a "person" does not include a *company.*

THE LEX COLUMN

New faces needed at Spillers

The annual meeting of Spillers *this Wednesday* promises to be a gentlemanly affair. Although its withdrawal from the bread-baking industry has cost nearly 8,000 jobs and a good slice of its net assets, the *view among* its big institutional shareholders seems to be that now is not the time to rock the boat.

Although there are some misgivings about how Spillers got *into trouble in the first place,* the way in which it has extricated itself is generally admired. Moreover, substantial profits recovery seems assured *this year and next—which* is really all that matters for a number of its shareholders. As has happened with other large companies which have *found themselves in difficulties* for one reason or another, Spillers' shares have tended to gravitate to the kind of fund which is not too interested in *the long-term picture.* Next year's dividend is much more important—unless someone can be persuaded to pop in a bid in the meantime.

Unscathed

The upshot is that the management of what remains a large *public company* will emerge unscathed from the crisis. Although Spillers has been subject to a number of internal reorganisations since the baking *side was McKinseyed in 1968,* the composition of its board has remained stable. Five of the eight directors have been there for at least seven years. *And last year's decision to take* on non-executives for the first time remains some way short of fulfilment. One of the two subsequently appointed decided to retire *after five months due* to the pressure of other commitments. The other is Mr. John Elton, who recently surprised the City by retiring from his posts at Hill Samuel and Alcan.

How far was Spillers' management responsible for the baking debacle? In its explanations to shareholders, the group has presented itself as a victim of circumstances brought about by Government controls and *declining consumption.* However, its response to these admittedly grave problems is open to question in a number of areas. For instance, Spillers substantially increased *its share* of the bread market in 1972 by taking on the business of the Co-op and J. Lyons—which shared some of its own basic weaknesses.

In marked contrast to Associated British Foods, the industry leader, the emphasis of its investment effort has been on diversification—with mixed financial results—rather than on its existing business. Its latest purchase, a $19½m toehold in the U.S., was initiated when Spillers' *financial* position was already deteriorating rapidly. It was made possible by a rights issue in 1975, which has been a costly exercise for shareholders. The proceeds were held in short-*dated gilts until* the beginning of this year, and the shares now stand well below the issue price.

Pulling out from baking has *cauterised Spillers' wounds,* but has left it with a highly geared balance-sheet and a commitment to what are still highly competitive areas of the food *manufacturing industry.* Shareholders have stood aside during the years in which the crisis of the bread business was visibly developing, there now seem to be a compelling case for them to be less passive. Spillers could do with some new faces.

Gold

This week could see the gold price break above its all-time high of $197½ (reached in September, 1974) and it will probably not be long before it tops the $200 level. Last Friday the price closed in London at $191¾ (a gain of $6 on the week) and in late trading in New York it went as high as $197. The Hong Kong market *opened on Saturday morning* at about $196 and after a pretty active session and some profit taking finished around $194. So all eyes will be on this morning's fixing here in London.

No single event seems to have *sparked the latest* speculative binge. New York dealers put it down to rumours that the Arabs were going to peg their oil prices to a basket of currencies to offset the depreciation of the dollar. But this story has been around for some time and no decision seems imminent. Clearly, the weakness of the American dollar is fuelling the speculative element in the market and both the Bremen *meeting of the European Council* at the beginning of the month, and last week's Bonn summit have done little to calm fears that the period of currency uncertainty is far from over.

Against this confused international monetary background it is not hard to see why gold has *built* such a following recently. Since last April, when the U.S. authorities announced the start of their monthly gold sales, the gold price has outperformed the strongest currencies. Against the dollar, the price has risen by 14 per cent, which compares with a 10 per cent appreciation of the yen and 7 per cent for the Swiss franc.

Of course, investors in gold are not paid interest and have to finance their positions at rates of, say, 10 per cent so they need to be sure of a healthy capital appreciation. However, there is no sign yet that institutional support for the market is flagging and it will need something like the announcement of considerably higher U.S. sales or the appearance of sizeable Russian selling to knock the gold price sharply lower.

Sugar workers' pay rise may break new 5% limit

BY ALAN PIKE, LABOUR CORRESPONDENT

THE Government is asking the British Sugar Corporation for details of a pay settlement which provides 5,500 employees with 9.5 per cent increases after the 5 per cent guidelines of phase four come into force

Although employees are not due to receive the increase until their annual settlement date at the end of September, it was agreed at a meeting between the corporation and union *officials a week ago.* British Sugar apparently was concerned to conclude the negotiations so far in advance *because last* autumn a work-to-rule over the 1977 pay offer disrupted the beet harvest.

Officials of the three unions *involved—the General and Muni*cipal, Transport and General and National Union of Agricultural and *Allied Workers*—were offered a 9 per cent increase first of all. They agreed to recommend acceptance when the corporation raised this to 9.5 per cent. A self-financing productivity deal, which has added 7 or 8 per cent to last year's 10 per cent settlement, will continue although the threshold at which it will be paid is being raised by 10 per cent.

A request for details of the settlement has been made to the corporation by the Ministry of Agriculture. If, after studying the proposals, officials decide that they exceed the pay guidelines corporation representatives will be invited to talks with the Government.

Union leaders have begun *reporting the settlement* to members and, not surprisingly, it has received a favourable response. *The Government's concern must* be increased by the fact that the State has a substantial holding in *the corporation.*

The TUC-Labour Party liaison committee will meet today to formulate a final draft of its latest policy document Into the Eighties—An Agreement, which *contains a range of material likely to find its way into an* eventual Labour election manifesto.

When immediate reactions to the 5 per cent pay norm for the coming year have subsided, the Government's now clearly *declared quest for a perpetual* understanding on incomes policy will develop into a major discussion point among union leaders.

Friday's White Paper stated that it was the Government's view that the country should aim at a *long-term approach* in which "collective bargaining is based each year on a broad *agreement between Government,* unions and employers about the *maximum level of earnings* which is compatible with keeping inflation under control in the following 12 months."

The policy for next year had been "shaped so as to permit a transition to such longer term arrangements."

A similar view appears in the *draft* liaison committee document which speaks of the need for a broad understanding and thorough discussion on pay between the Government and union movement each year. While such an approach finds favour with a *number* of union leaders, others remain sceptical about any formal arrangements*—even those described in the* most general of terms.

New Stock Exchange evidence this week

THE SECOND stage of the Stock Exchange's evidence to the Wilson Committee is to be published at the end of this week. The second stage evidence covers the way in which the Stock Exchange functions and its position *vis-à-vis* other securities markets — those in other countries, and potential competitors in this country such as the over the counter market.

However, the evidence is believed to concentrate particularly on the Stock Exchange's responsibilities for regulating the securities market—for *which the* Stock Exchange itself is simultaneously, under investigation by the Office of Fair Trading, under the legislation concerning restrictive trade practices.

Continued from Page 1

Government to raise North Sea oil tax

in some of the more keenly sought blocks.

However, the Government has made one important concession to the industry. The oil corporation is to be given authority to be the operator—in essence, the leading company—in six of the blocks.

Under the draft licence terms, the corporation could have waited until the private oil groups had submitted their applications before designating which six blocks it wanted. But, it has been agreed that the corporation must decide before the *rest of the industry has chosen.*

The oil industry has said that it is concerned about the growing *influence* of the corporation and about its dual role as commercial undertaking and Government adviser. Companies have said they are worried that the corporation will use confidential *information to its commercial* advantage.

A report to be published this week for the Trade Policy Research Centre says that there should be fewer rather than more Government controls over North Sea activities.

Professor Colin Robinson, of Surrey University, and Dr. Jon Morgan, an economist with *British National Oil Corporation,* say that better results would flow from a system of diffused *power than from a system of* "central direction which concentrates power in the hands of a few people who can plead pursuit of the national interest for any of their actions."

North Sea Oil in the Future: Macmillan, for the Trade Policy Research Centre; £10 hardcover, £4.95 paperback.

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Weather

UK TODAY

SUNNY, but some showers.

London, S.E., Cent. S., E., S.W., Cent. N. England, E. Anglia, Midlands, Channel Isles
Sunny, showers. Max. 18C-19C (64F-66F).

Wales, N.W. England, Lakes, Isle of Man, S.W. Scotland, N. Ireland
Showers, sunny intervals. Max. 17C (63F).

N.E. England, Borders
Sunny, isolated showers. Max. 16C-18C (61F-64F).

Cent. Highlands, N.E., N.W. Scotland, Orkney, Shetland
Rain, bright intervals. Max. 13C-15C (55F-59F).

Outlook: Mainly dry, sunny intervals.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amsterdm.	F	22	72	Luxembrg.	C	19	66
Athens	S	26	79	Madrid	F	28	82
Bahrain	S	37	99	Manchstr.	C	18	64
Barcelona	S	26	79	Melbourne	R	12	54
Beirut	S	29	84	Milan	S	25	77
Belfast	C	18	64	Montreal	R	26	79
Belgrade	F	20	68	Moscow	C	19	66
Berlin	F	21	70	Munich	F	19	66
Birmghm.	C	17	63	Newcastle	F	19	66
Bristol	R	16	61	New York	C	34	93
Brussels	F	23	73	Oslo	F	19	66
Budapest	F	21	70	Paris	F	24	75
B. Aires	C	9	48	Perth	F	13	55
Cairo	S	38	100	Prague	F	20	68
Cardiff	R	16	61	Reykjavik	F	15	59
Chicago	C	21	69	Rio de J'o	S	21	70
Cologne	F	20	68	Rome	S	27	81
Copnhagn.	F	19	66	Singapore	S	31	88
Dublin	C	19	66	Stockholm	F	20	68
Edinburgh	C	18	64	Strasbrg.	S	23	73
Frankfurt	F	22	72	Sydney	F	15	59
Geneva	S	21	70	Tehran	S	36	96
Glasgow	C	17	63	Tel Aviv	S	29	84
Helsinki	C	16	61	Tokyo	S	33	91
H. Kong	C	31	87	Toronto	C	26	79
Jo'burg	S	21	70	Vienna	F	21	70
Lisbon	F	32	90	Warsaw	F	17	63
London	C	17	63	Zurich	S	20	68

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	24	75	Las Plms.	S	31	88
Algiers	S	33	91	Locarno	F	24	75
Biarritz	S	21	70	Luxor	S	43	109
Blackpool	F	18	64	Majorca	F	27	81
Bordeaux	F	23	73	Malaga	C	28	82
Boulogne	F	17	63	Malta	S	27	81
Casablanca	S	25	77	Nairobi	C	17	63
Cape Tn.	C	16	60	Naples	F	26	79
Corfu	S	28	82	Nice	S	24	75
Faro	S	38	100	Nicosia	F	29	84
Florence	S	28	82	Oporto	F	23	73
Funchal	S	27	81	Rhodes	S	28	82
Gibraltar	C	25	77	Salzburgh	S	20	68
Guernsey	C	16	61	Tangier	F	29	84
Innsbruck	S	21	70	Tenerife	S	36	97
Inverness	C	17	63	Tunis	S	27	81
Is. of Man	S	16	61	Valencia	F	27	81
Istanbul	F	22	72	Venice	S	24	75
Jersey	F	20	68				

S—Sunny. F—Fair. C—Cloudy. R—Rain.

CBI wants MPs from industry

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A MAJOR INITIATIVE aimed at increasing the number of MPs who have direct experience of working in industry was launched yesterday by *the Confederation of British Industry.*

Companies will be recommended to help their employees to become MPs by giving them time off when they become Parliamentary candidates and by re-employing them if they are defeated.

To allay worries among some large companies employees who become trade union-sponsored MPs would not necessarily receive all the benefits.

These are the main points to emerge from the report of a CBI *working party on Parliamentary* candidates, set up a year ago under the chairmanship of Lord Carr, a *Conservative former* Cabinet Minister, now a senior CBI figure.

There has been an increasing interest in the past year or two in West *Germany* as well as in the UK, increasing business knowledge of parliamentarians.

"MPs are short of real live experience in trade and industry, which is bad for business and bad for the country," said Lord Carr when he launched his report *yesterday.* He stressed there was no question of companies or the CBI formally sponsoring MPs.

Some large companies such as ICI, Shell and BP have introduced arrangements to ease the path of would-be MPs and a survey of 500 companies for yesterday's report showed considerable interest in the subject.

Nearly two-thirds of the companies *said they should develop* positive policies, while only 25 per cent said they should not.

Smaller companies are generally less keen than larger because of the gap that a manager who becomes an MP *might leave,* and because of the problem of reaccommodating him when he wants to return.

Policies have been developed more in the public sector, where nationalised industries such as electricity, the Post Office, atomic energy, steel, and coal have various *arrangements for* re-employing ex-MPs.

Lord Carr's report says that *companies should* welcome Parliamentary ambitions among their employees, and realise that *the chance of being faced with* the need to help a prospective candidate or an unseated MP is relatively small.

All employees should be helped, irrespective of whether they are managers or manual workers, and a company should not *itself* try to assess the suitability of a would-be candidate.

Nor should there be discrim*ination on a party basis, though* several companies told the working party they would be loth to help "extremists, whether of the Right or Left."

The working party was specially concerned about the problem that a company with a substantial *immigrant* workforce could face when confronted by an anti-immigrant employee candidate.

But the only limitations it recommends are that parties could be excluded if they fielded fewer than 50 candidates, or attracted less than 5 per cent of the poll in the constituency affected.

It suggests that *prospective* candidates be offered 18 days' extra leave a year between elec*tions,* and receive their pay for this period, especially if they are long-service employees.

A guarantee of re-employment and protected pension rights, lasting for at least the duration of two Parliaments, should be offered when the employee became an MP.

There should be no strings attached regarding the employees' political actions *in* Parliament.

Ruling out formal sponsorship *of MPs by companies,* the report recommends companies against topping-up an MP's salary to the level he received as an employee.

Some companies, including Scottish and *Newcastle* Breweries, do this. The report adds that there is no objection to the *MP's continuing* to be employed on a part-time basis.

It recommends discrimination against trade union-sponsored MPs, and says: "Companies *might feel that they could not* offer such employees continued part-time employment during their time as an MP, or give the same degree of assurance regarding eventual re-employment, because such trade union-sponsored MPs might well find *themselves faced with a conflict* of loyalties."

It suggests that the unions *involved* might help an ex-MP to be employed.

The report was approved as a guidance document for companies by the CBI monthly council meeting last week, and will be published early next month.

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Men and Matters Page 10

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